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Rwanda Admits Its Troops Are In Congo

Statement Opens Way To Peace Talks, Averting 'Massive African War'

> By Lynne Duke Washington Post Service

PRETORIA - The Rwandan military leader, Vice President Paul Kagame, admitted publicly for the first time Friday that his troops were involved in the Congolese conflict begun three months ago by rebels trying to oust. President Laurent Kabila. After months of denial, Mr. Kagame,

who is also Rwanda's defense minister, inally came clean following an hour-lang meeting here with President Nelson Mandela, and two days after he had met with the U.S. assistant secretary of state for Africa, Susan Rice, in the Rwandan capital, Kigali. Rwanda's denials had been seen as a major obstacle to mediation efforts to end the widening war in Africa's third-largest nation, which

has become a continental quagmire.

"Initially, our country hadn't, for good reasons, come out specifically to talk about the presence of our troops in Congo," Mr. Kagame said Friday. "We have informed the president that we are there specifically for our national se-curity. That situation in Congo has al-ways affected our security and we are there specifically for that purpose."

With its many ethnic, economic and nationalistic dimensions, the Congo conflict has alarmed African and Westem leaders because of its potential to broaden even further and become more intractable. "If this conflict is not stopped, the danger of a massive African war is a reality, "Aziz Pahad, South Africa's deputy foreign minister, said at a Cane Town a Cape Town news briefing Thursday.

Rwanda, Congo's tiny neighbor to the east, has twice involved itself in Congo conflicts, and in both cases it persisted for several months in destring in the military moves were intended to combat Rwandan ethnic Hutu extremists, including perpetrators of the 1994 slaughter of . 500,000 Rwandan Tutsi, who use Congo's territory as the lannch-pad for attacks against Rwanda. In the first war, begon in 1996 in what then was called Zaire, Rwanda led the forces that ousted the late dictator, Mobutu Sese Seko, and installed Mr. Kabila in power.

Since the outbreak of the latest Congo war on Aug. 2, Rwanda maintained its policy of denial, despite sightings of Rwandan troops inside Congo and confirmation by Congolese rebels that Rwandans were involved in the conflict. The war has also drawn in Angola, Zimbabwe, Namibia, Chad and numer-ous regional militias fighting on Mr. Kabila's side, with Rwanda and Uganda

See CONGO, Page 5

By Nicholas D. Kristof
New York Times Service

about for years, but it came about now

only because of alarm at North Korea's launch of a rocket over Japanese ter-

The rocket, which North Korea de-

scribed as part of a satellite launch but

which Japan believes was a missile test,

Littory in September.

Books.

Crossword....



An Israeli soldier checking for more explosives at the site of the car bomb explosion in Jerusalem on Friday.

Charges on Anwar Baseless, Police Say

Prosecution Witness Ruled in '97 That a Broad Conspiracy Was at Work

By Keith B. Richburg Washington Post Service

KUALA LUMPUR - A police intelligence chief concluded more than a year ago that allegations of sexual misconduct against Anwar Ibrahim, then the deputy prime minister, were baseless and were made as part of a broad conspiracy to smear Mr. Anwar, a Mangaian court was told Friday.

The intellipence chief Mohamed

Said Awang, made his conclusion in a report in August 1997 that he delivered to Prime Minister Mahathir bin Mo-

On Friday, the fifth day of Mr. Anwar's sex and corruption trial, Mr. Mohamed Said read portions of that report

His testimony as the prosecution's lead witness seemed to be a stunning reversal for the government's case against Mr. Anwar and was likely to further fuel the widespread public belief that he has been unfairly targeted by political enemies who wanted him re-

"The allegations made are baseless and are more dependent on imagination and assumption," Mr. Mohamed Said wrote in his report. "Through our sources, the allegations do not have," or "contain, any proof, and the sequence of events appears to be deliberately cre-

Mr. Mohamed Said prepared the report after arresting and interrogating two persons - Mr. Anwar's driver and a female acquaintance who had sent a letter to Mr. Mahathir accusing Mr. Anwar of engaging in sodomy and adul-

In dismissing the allegations as false, Mr. Mohamed Said concluded then, a certain group that may have their own agenda and played a role behind the scenes to urge the two accusers to smear Datuk Seri Anwar Ibrahim." Datuk Seri is a title of respect in Malaysia.

Prosecutors turned the report over to Judge Augustine Paul on Friday morn-

ing. Mr. Anwar's defense lawyers had demanded the report, calling it crucial to proving that their client was not guilty of the sodomy allegations against him.

Despite the reversal for the government prosecutors, even critics of the proceedings cautioned that the trial was not yet won for Mr. Anwar. The prosecutors plan to call more than 50 other witnesses, including the prime minis-

Malaysia's second-most powerful politician and his arrest 18 days later on the sodomy charges, Mr. Anwar has consistently said that he was the victim of a conspiracy by his enemies. Before

See TRIAL, Page 5

Blast in Jerusalem Stalls Peace Accord

Suicide Bombing Also Wounds 25

By Lee Hockstader

JERUSALEM - Two terrorists detonated their car in Jerusalem's central street market Friday morning, killing themselves, injuring 25 Israelis and prompting Israel to suspend the new Middle East peace plan brokered by the United State

Although no Israelis were killed and most injuries were light, the bombing plunged the Middle East peace process deeper into crisis just two weeks after President Bill Clinton presided over a dramatic signing ceremony at the White House marking the revival of hopes. At the time, he said that both Israeli

and Palestinian leaders knew such attacks by extremists were likely and were prepared for them.

The bombing, the third serious attack on Israelis since the signing ceremony, rocked a crowded commercial hub as Israelis shopped for the Jewish sabbath, starting Friday evening.

Afterward, amid scenes of fury and confusion, pedestrians, shop owners and police officers gazed at the charred wreckage of the attackers' red Fiat and pronounced it a miracle that casualties had not been much worse.

The bomb — a small, amateurish device that may have gone off prematurely — exploded just as Israel's cabinet was to meet for an expected vote to ratify the new land-for-security agreement. The cabinet adjourned, only to declare hours later that it would not again discuss ratification until it was confident that Yasser Arafat's Palestinian Authority was taking "decisive steps" to destroy terrorist organiza-

In a statement, Prime Minister Benjamin Netanyahu also said that the cabinet would postpone any decision on the accord until it was convinced that the Palestinian National Council intended to vote to repeal parts of its charter calling for Israel's destruction.

Worried American officials said the Israeli demand could wreck the already yond the agreement negotiated last month on the eastern shore of Mary-

That accord, known as the Wye Memorandum, commits the council and other Palestinian bodies to "reaffirm" their repudiation of the offending parts of the charter, but makes no specific mention of a vote.

The agreement obliges the Israelis to withdraw troops from an additional 13 percent of the West Bank and to make other political concessions to the Palestinians, such as the opening of an

airport in the Gaza Strip. În return, Mr. Arafat agreed to launch crackdown on terrorist groups working from Palestinian-controlled territory. The agreement, meant to go into force Monday, was to be carried out according to a choreographed series of reciprocal moves by the two sides over

See ISRAEL, Page 4

Arabs Show Little Support For Strikes Against Iraq

By Steven Lee Myers New York Tones Service

WASHINGTON - A day after the United Nations Security Council unanimously condemned Iraq's decision to end cooperation with international weapons inspectors, the U.S. secretary of defense, William Cohen, on Friday wrapped up a whirlwind tour of Arab states having won little public support

for military action.
In Ankara, Mr. Cohen met with President Suleyman Demirel of Turkey and his minister of defense, Ismet Sezgin. Afterward, he called on President Saddam Hussein to reverse his decision, a demand Mr. Demirel's office reiterated.

"We're hoping that Saddam will take action to reconsider his flagrant violation of the Security Council resolutions and his agreement with Secretary-General Kofi Annan," Mr. Cohen said as he concluded a diplomatic tour that took

him to nine Arab states in four days.

The White House announced that the president's national security adviser, Sandy Berger, would meet with his counterparts from Britain and France, John Holmes and Jean David Levitte. during a trip to Paris on Saturday.

The Security Council's resolution, passed Thursday evening, declared Iraq in "flagrant violation" of previous resolutions but stopped short of explicitly threatening military force if Mr. Saddam did not resume cooperation with the special commission that oversees the

destruction of its weapons program. As the Security Council declared Mr. Saddam in "flagrant violation" of United Nations resolutions, the Clinton administration moved ahead with preparations for air strikes against Iraq, U.S. and other Western officials said.

On Thursday night, President Bill Clinton called Iraq's decision to end cooperation with United Nations weapons inspectors "totally unacceptable" and suggested that the United States was prepared to act soon if Mr. Saddam did not reverse the decision.

"The burden is on Iraq to get back in compliance and meet its obligations --immediately," Mr. Clinton said. The United States has not yet set a

See IRAQ, Page 4

Scientists Isolate Cells at Root of Life

By Nicholas Wade New York Times Service

NEW YORK — Pushing the frontiers of biology closer to the central mystery of life, scientists have for the first time picked out and cultivated the primordial human cells

from which an entire individual is created.

The cells, derived from fertilized human eggs just before they would have implanted in the uterus, have the power to develop into many of the 210 different types of cell in the body - and probably all of them. Because they can divide indefinitely in culture without the signs of age that afflict other cells, biologists refer to them as immortal.

The shares of Geron Corp., a drug-research company that sponsored the two research teams that developed the cells, rose sharply Friday. Geron was the most actively traded U.S. stock on Friday, closing up \$7.3125 at \$17.1875. The stock jumped 30 percent Thursday after reports of the discovery leaked to investors. Geron, based in Menlo Park, California, specializes in anti-aging research.

Eventually, researchers hope to use the cells to grow tissue for human transplants or to introduce new or improved genes into people. But there is a thicket of ethical and legal issues,

The cells used in the research are obtained from embryos created at in-vitro fertilization clinics and so far do not seem definably different from the primordial cells from which an entire individual is created.

Though some of the scientists involved in the work see nothing unusual about working with these cells, other researchers say they must be treated differently, given their human potential. Once the work becomes widely known, it may draw criticism from those who say it is wrong to nterfere with nature by doing research on cells like these.

Known as human embryonic stem cells, they have eluded capture until now because they exist in this state only fleetingly before turning into more specialized cells, and need special ingredients to be kept alive outside the body.

The new cells have many possible uses of which the most

promising is to grow new tissue, of any kind, for transplant into a patient's body. The cells may also offer effective routes to human cloning, although both the researchers and their sponsor deny any interest in this application. Another likely use is in gene therapy, the insertion of new or modified genes into body tissue.

Two forms of human embryonic cells have been developed, one by a team under Dr. James Thomson of the University of Wisconsin, the other by Dr. John Gearham

See CELL, Page 4

deadline but officials made it clear that as well as technical problems, to be overcome. Congress in 1995 banned federal financing of research on fetal cells, including those derived from embryos.

Hyde Asks Clinton 81 Questions, Some Pointed

By Eric Schmitt New York Times Service

In an 11-page letter, Mr. Hyde, Re-

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WASHINGTON - Forging ahead with an impeachment inquiry that most Americans say Congress should drop, Representative Henry Hyde has asked President Bill Clinton to say flatly whether he lied under oath, tampered with witnesses or obstructed instice.

publican of Illinois and chairman of the Mr. Hyde indicated to the White House counsel Kenneth Start sent his scathing House Judiciary Committee, asked Mr. Clinton to admit or deny 81 selected

Challengers seek to oust Gingrich and Armey as House leaders. Page 3.

findings gleaned from the independent counsel's 445-page report on the president's affair with Monica Lewinsky.

a few weeks ago that he would ask Mr. Clinton to acknowledge certain assertions in the report.

Mr. Hyde said the president could speed the process by not disputing the findings.

But many questions are pointed and ask Mr. Clinton to admit to accusations that he and his advisers have strenuously denied since the independent

report to Congress. For example, ques-

tion No. 20: Do you admit or deny that you gave false and misleading testimony under oath when you stated during your deposition in the case of Jones v. Clinton on Jan. 17, 1998, that you did not know if Monica Lewinsky had been sub-

See HYDE, Page 4

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galvanized Tokyo to take two far-reaching steps to boost its security. One is the approval of the satellites, and the other is a recent move toward joining with the TOKYO - Japan will launch a series United States in researching a theater missile defense system that aims to proof intelligence-gathering satellites within the next five years, the government said Priday, boosting its military capabilities tect against enemy missiles. The moves are part of a growing Jap-anese effort to boost its military options in ways that are expected to cause unease at home and around the region.

Japan Plans Spy Satellites

Over a Suspicious Region

Page 8.

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... Page 6.

Pages 26-27.

Pages 22-25.

and capabilities, despite the limitations of its "Peace Constitution." Although Ja-The cabinet formally approved the launching of four satellites by the spring of 2003. Such a move has been talked pan in theory lacks an army, its so-called self-defense forces are already among the best equipped in Asia.

All this has created concern around the

region, particularly in China and North and South Korea, all of which are deeply suspicious of Japan's intentions.

'The project is purely designed to collect information for our security," Prime Minister Keizo Obuchi said in an effort to allay apprehension. "I hope the project will be understood."

Some Japanese have also complained that development of reconnaissance satellites would breach the Peace Constitution and would violate a 1969 Parliament resolution limiting the use of space for peaceful purposes. Partly to evade that restriction, the government has stipulated that the satellites will be used for a variety of purposes, including crisis management in the event of a major earthquake, in addition to intel-

ligence gathering.
"The purpose of the satellites will be to collect information the government needs for crisis-management measures to deal with defense and diplomatic issues as well as natural disasters," the government's chief spokesman, Hiro-

mu Nonaka, said. The current plan calls for the launching of four satellites: two to collect radar signals, and two to take high-resolution photos. The impents comes partly because Japan had no information of its own about the North Korean rocket and had to rely on U.S. intelligence.

AGENDA previous close Friday @ 4 P.M. 1.6606 U.S. Agrees to Send 117.97 5.5685 5.6102 Food Aid to Russia 1.6615 parcers change + 0.67%

The United States and Russia signed an agreement Friday for 3.1 million tons of food aid to help see Russia through the winter.

"Our common cause has been fulfilled." Deputy Prime Minister Gennadi Kulik said

Russian officials said the talks had stalled for a time over American worries about possible corruption and over demands for strict guidelines on how the food would be distributed. Page 4.



SAYONARA, BASEBALL - Sammy Sosa of the Chicago Cubs taking a bow in Tokyo on Friday after he homered in an exhibition game.

Pass the Salt, Brad?

 By Bernard Weinraub New York Times Service

OS ANGELES - Brad I OS ANGELES — Brad bought new usines (constant a plate that matched, wasn't a plate that matched, wasn't a plate that matched. Sandra Bullock asks for hue- she saidi, built red Nauvos rancheros. Nicolas Cage gahyde booths, hired a new shows up with his family for staff and created a sort of shows up with his family for

No, it's not some trendy caté with an unlisted phone and meat loaf to burritos and ниты and a snooty policy of the popular torta tortillas favoring celebrities, models (omelettes made with tortillas and assorted hangers on. It's and topped with salsa).
the thoroughly nondescript Hollywood Hills Coffee Shop prices low (most dishes cost - first come, first served - in a downscale Best Western in the neighborhood (which is Hotel on Franklin Avenue near Vine Street — a part of town in need of urban renewal.

shop successful is not so much the movie and television clientele but the high-quality comfort-style food — breakfast dishes all day -- which seems as unglamorous and

basic as the street outside.

We serve all day long because that, really, is the L.A. lifestyle. said Susan Fine Moore, the coffee shop's owner, a onetime chef, restaurant consultant and food writer. "Here you're always driving to open another restaurant. somewhere — you can have a meeting at noon, go over the hill to a studio in the valley and be finished at 2:30, and you're hungry. You go to a fancy restaurant, and they say, Oh, the kitchen's closed. I don't understand that.'

Moore took over the once-

shabby restaurant with her husband, Michael Moore, a former model, in 1994. The food, she said, was "inedible, beyond crummy, embarrassing." Shaking her head, she added: "Half the time the lights weren't even on. There were dead fake plants in the

"good bones." With an investment of \$50,000, the couple repainted, cleaned up. bought new dishes ("There diner-Mex fusion menu. The dishes range from omeleties

less than \$10), sent out flyers populated by aspiring actors) and hung out a sign saying.
"Last Cappuccino Before the And what makes the coffee 101." (Thousands of cars pass the restaurant to the nearby Route 101, the Hollywood Freeway; it was a signal, of course, that the coffee shop

> Its coffee shop roots give it little tolerance for Holly-wood's diet fads. "We kind of pride ourselves on being an oasis from all that craziness. said Moore, who is planning

was coming up in the world.)

the Bungalow, nearby.
"There's a new diet, a new fad every week, but actually people seem a little bit less obsessed than they used to be about diets. Otherwise we

wouldn't be so busy."

Sometimes people from as far west as Brentwood and Beverly Hills make the long drive for a Sunday brunch.

"We have an inside joke," Moore said. People from Brentwood come here, and if you take them to what we consider the best table, they'll refuse it right away. They have to refuse the first table you show them. We'll call them on it. We'll say, 'Are you from Brentwood?' They'll say. 'How did you know?' ''

How did you know?

But she said the place had

In This Film, Rembrandt's Work Is Center Stage

By Alan Riding New York Times Service

MIREMY, France — The preferred way of filming the lives of great painters, it seems, is to focus on their lives and ignore their paintings. This at least may explain why movie directors keep returning to Van Gogh, Toulouse-Lautrec, Modigliani and Rembrandt and avoiding the more prosaic careers of, say, Monet, Mondrian and Magritte. Alcoholism, madness and tragedy are evidently easier to

But there is another good reason for them to favor life over art. Museums and private collectors are unwilling to lend classic masterpieces to film productions. And with 20th-century paintings, to which copyright rules still apply, estates frequently prohibit the use of even reproductions or copies, as was the case with Merchant-Ivory's "Surviving Picasso" and John Maybury's "Love Is the Devil." his new biopic about Francis Bacon.

It is in hope of breaking this pattern, then, that Charles Matton has chosen a novel approach in "Rembrandt van Rijn," the new French-language movie that he has just begun shooting in the Warner Brothers Studios at Bottrop. Germany, for release next fall.

Determined to give the 17th-century Dutch master's paintings a central role in his film, Matton commissioned iwo French artists, Serge Clement and Marina Kamena, to

paint no fewer than eight Rembrandts.

Matton, 66. himself better known in France as a painter and sculptor than as a director, had an additional brainstorm. He wanted Rembrandt's portraits (and two self-portraits) to be copied but with the faces altered to resemble those of his actors: Klaus Maria Brandauer as Rembrandt; Johanna Tersteege as the artist's wife, Saskia; Romane Bohringer as his maid cum mistress Hendrickje Stoffels; Jean Rochefort as Nicolaes Tulp, the doctor who presides over "The Anatomy Lesson," and Marie-Claude Mestral as Anna Wijmer, mother of Amsterdam's mayor.

And yet Matton did not want the portraits to look so much like his actors that they lost the aura of the originals. "I wanted them halfway between Rembrandt and the actors,' he explained. "But I wanted to retain the mood of Rembrandt. This is possible because in portraiture, everything that emphasizes resemblance undermines the quality of the portrait. Even Rembrandt's self-portraits are not identical."

So now, with most of these ersatz Rembrandts in hand, the director can show the canvas while Brandauer's Rembrandt pretends to be painting his subjects (with transparent varnish). Matton, who wrote the screenplay with his wife, Sylvie, can also let the camera dwell on the copied portraits since they, too, have the texture and reflective light of real oils.

Still, for Clement, 65, and his wife, Kamena, 53, the challenge of copying, and changing, Rembrandt has proved

"We are in the process of being given a magisterial lesson in painting," Clement explained in an interview in his studio in this village, 60 miles south of Paris. "Rembrandt was really the first to make the most of painting in oil. He could added Bohringer to Rembrandt's 1654 painting of Hendrick-the games of illusion."







Rembrandt's portrait of his wife, Saskia, left, was adapted by Serge Clement for a film about the Dutch master. His painting, right, resembles the actress Johanna Tersteege, center, who plays Saskia.

paint ugly things and make them beautiful." The two artists je Stoffels as "Bathsheba Holding King David's Letter." faced a further problem that did not worry Rembrandt: They were expected to complete eight paintings, and show four others at an early stage, in just two months. So there was no question of starting from scratch; their priority was to introduce a subtle though clear resemblance to the movie's

They decided to work on life-size color photographs of the eight paintings glued to canvas. But they also had to develop their own special techniques for this bizarre adventure.

The first step in each case was to cover the original face with gesso, thus acquiring a base on which to paint. Then, using thin oil paint and acrylic, they copied the face of the actor from a photograph. At this point, the resemblance was total. Next, having covered this image with a transparent gel, they put aside the photograph of the actor and turned instead to a photograph of the original painting, working in thick oil to create a hybrid.

that available to Rembrandt.

In practice, they had to treat other areas of the painting to cover evidence of the photograph. In some cases, they also recovered important details of the paintings that were somehow lost in the photographs.

"With Dr. Tulp, you can't see his feet," said Kamena, whose assignments included "The Anatomy Lesson." "So we had to repaint them in the same way: an isolating layer of

varnish, a transparent texture and then oil."

"Rembrandt cheared," he said with a laugh. "No, I don't like that word. Rembrandt was a rearranger. When I asked Romane Bohringer to bow her head and keep her shoulders in Hendrickje's position, she couldn't. Rembrandt turned her face forward but not her shoulders. He was looking for

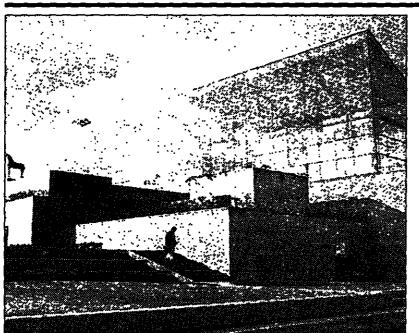
effect, not accuracy."

Kamena said: "These are not Rembrandts, not even false Rembrandts. They're simply illusions because cinema is illusion.

On one point, though, Matton is eager to keep things real: He will not show Brandauer's Rembrandt painting a portrait from start to finish. "We know the results of Rembrandt's work, but we do not know how he painted," he said. "We don't know if he worked from sketches, if he started on the top or the bottom, on the left or the right, with the background or the foreground. So we have to be honest.

As a painter, Matton has also had no hesitation in dis-Finally, they applied a glazing to capture Rembrandt's couraging Brandauer from overacting his role before the luminosity. The paint used at the final stages was similar to canvas. "People think that a painter is like the conductor of an orchestra, using big, sweeping, romantic, impulsive gestures," he noted. "He is not. Painting is above all contemplative. The violence on the canvas is cerebral, not physical."

As it happens, painters will have the last word in this \$12 million movie in more ways than one. 'Charles Matton says that the makeup people should copy what we have done in the portraits." Clement said with undisguised satisfaction. 'So it goes full circle. We make the paintings look like the



UNVEILING — A view of the museum of modern art in Strasbourg, which will open on Friday. The glass and granite facade is guarded by the bronze statue of a horse created by the Italian artist Mimmo Paladino.

CHINESE hand-scroll painting on A silk of minutely observed insects friends. We had an understanding of and plants, looking as fresh as the day it was finished, has been added to the collection of the British Museum. The 12-foot-long, 14th-century painting, "The Fascination of Nature," by Xie Chu-fang, was hailed by museum officials as one of the rarest of its kind. It will go on display from December to April and will be shielded from daylight for the rest of the year, to preserve the colors and the silk. The work was acquired from a private collector for \$629,000.

Yoko Ono and Linda McCartney liked each other. Really. So says Ono. anyway. In an interview published Wednesday, the widow of John Lennon dismissed the commonly held belief that she and Paul McCartney's wife, who died of breast cancer in April, didn't care for each other. "People always portrayed us as enemies, like two boxers on opposite sides of the ring, but of course it was never really like that," One was quoted as saving in the Liverpool Echo.

"In later life especially, we became each other. We had both married Beatles and we knew what that was like."

П Could it be a match made in Mozartean operatic heaven when a surprise money for awards, grants and programs

ropolitan Opera stars for the 23d Richard Tucker Gala at Avery Fisher Hall in New York on Sunday? The stage was set New York on Sunday? The stage was set for an unannounced guest after Luciano Pavarotti, recovering from knee and hip surgery, bowed out as master of ceremonies of the event. The gala raises

summoned paramedics.

GaultMillau Cheers Grand Vefour's Chef

PARIS — Guy Martin of the restaurant Le Grand Vefour in Paris has been named France's Chef of the Year by the GaultMillau guidebook. The restaurant, which Martin has run for the past seven years, was also elevated in the guidebook's new 1999 edition to its highest rating of 19/20.

PEOPLE

GaultMillau said Wednesday. Le Grand Vefour, at the gardens of the Palais Royal in the first arrondissement, was opened in 1760 and is known for its lush interior and period furniture. Martin's cooking is based primarily on traditional recipes from the French

Alps region. But a typical day's menu at his restaurant mixes classic dishes with modern recipes like stewed mango with red pepper sorbet and cabbage sorbet

Also elevated to Gault Millau's highest ranking this year were the Guy Sayov

tricia Racette. The pop singer Liam Gallagher.was

arrested after being accused of attacking a photographer and damaging his camera equipment outside a pub. The Mirror newspaper said the Oasis singer punched Mel Bouzad and smashed his equipment after the photographer followed the singer to a pub near his north London home. Gallagher was taken to a police station, questioned and released

In the world of Evel Knievel, this motorcycle mishap was nothing much. The 60-year-old daredevil suffered a minor scrape in Clearwater, Florida. when his parked bike toppled over, pinning him beneath it. He was sitting on it. without the kickstand down. Neighbors heard him yell for help, freed him and



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AND SECOND SECON

bat costume after seeing a bat at his window and decided it at his window and decided it was perfect for striking fear in the "cowardly and superstitious hearts of criminals." The costume began with wide olack wings that narrowed and became more fashionable

over the years. Mr. Kane, who became a ated which character.

Rebels Challenge Gingrich and Armey for House Posts want Mr. Clinton punished in some seats in the House, giving them an tiple candidates that will be running must stand for election by the full

Republicans has

torically have gone their way.

Mr. Livingston said he had

spoken with many Republican

House members. "I cannot say that I have a majority." he said of the

votes in the Republican caucus.

"But he added, "I do believe that

when the dust settles I will be the

next speaker of the House of Rep-

"I think the question that is be-

iceberg" in the elections.

WASHINGTON - A rebellion against Republican leaders in the House of Representatives crupted with full force on Friday as challengers rose against the speaker, News Gingrich, and the majority leader, Dick Armey.

The chairman of the House Appropriations Committee, Bob Livingston, of Louisiana, said he would challenge Mr. Gingrich for the top spot in internal House elections. Representative Steve Largent, of

Oklahoma, a former star professional football player, said he would challenge Mr. Armey, of Texas, for the majority leader's post when House Republicans meet in less than two weeks to choose leaders for the new Congress.

The struggle within the majority party in the House comes amid the impeachment inquiry into President Bill Clinton's relationship with Monica Lewinsky, a former White House intern. House Republican members are thus confronted with ment

way without removing him from edge of just a five votes.

Mr. Livingston called Mr. Gin-double-digit gains in the House and grich a friend and a "true revo- they were angered over the results in grich. lutionary" whom he revered. But an election year that should hisfollowing the elections Tuesday, in which Republicans suffered a loss of five House seats, Mr. Livingston said he believed "we're at a crossroads — a crossroads for our party, a crossroads for the House of Representatives, a crossroads for our country.

In a statement proclaiming that he was still in the race, Mr. Armey said. "Tuesday's election results were a wake-up call to all of us."

He sent a letter to all House Republicans telling them he had "a proven track record developing major projects that define our party's we retain the crew of the Titanic or vision," and he listed the issues he we look for some new leadership, would focus on if he was kept in he said.

Mr. Gingrich, of Georgia, was not immediately available for com-

In the new Congress, the Republicans will control 223 of the 435

fore our conference today is whether

Mr. Largent said there may be more than one challenger to the speaker. Mr. Gingrich, of Georgia,

26 minutes to the conflict in

Kosovo; two hours and 18

minutes to the elections, and

two hours and six minutes to

John Glenn's return to space.

the face of a nearly 8 million

increase in the number of

Americans eligible to vote ---

and a 4 million increase in

not to vote, estimated at

The dip in turnout came in

resentatives."

was not immediately available for "I believe that there will be mul-

Largent said. He would not say whether he would support Mr. Gin-

A Vow to Block Gingrich

Katharine Q. Secive and Mclinda Henneberger of The New York Times reported earlier: A small band of Republicans

vowed on Thursday that they would not vote to re-elect Mr. Gingrich under any circumstances, 2 move that, because of the Republicans' shrunken House majority, could tie the party in knots for months. Representative Matt Salmon, Re-

Mr. Largent said it was clear that the Republican party had thit an publican of Arizona, said: "I per-I cannot vote for Newt Gingrich for speaker in January, and there are six others who have told me they feel the same way, seven people who just will not, and it takes six to deadlock

publican nomination for speaker to be re-elected easily in 2000.

POLITICAL NOTES

tiple candidates that will be running for the speaker's position." Mr. Largent said. He would not say Largent be would support Mr. Gingrich wins the secret ballot, he could be denied resecret ballot, he could be denied by the could be denied resecret ballot, he could be denied by the could be election as speaker in January if Mr. Salmon and at least five others refuse to vote for him.

Because the Republicans now control the House by only 12 seats, it would take just six votes against Mr. Gingrich to deny him a majority.

Senator Moynihan to Retire

Senator Daniel Patrick Moynihan, who rose from the rough Hell's Kitchen neighborhood of New York City to become a Harvard professor and one of Congress's authorities on welfare and Social Security, will sonally have made the decision that retire from the Senate when his term expires in two years. The Associated Press reported Friday, quoting Senare aides who asked not to be identified.

The 71-year-old Democrat, with his trademark white shock of hair House Republicans are to meet and slow, professorial manner of Nov. 18 to vote by secret ballot for speech, is serving his fourth six-year their leaders. Whoever wins the Re-

Bob Livingston, chairman of the House Appropriations the task of choosing leaders and at the same time satisfying voters who **Turnout in Midterm Elections Lowest Since 1942** Turnout was down sub- every one story about electoral. In that same period, the net-

... By Richard L. Berke

· New York Times Service WASHINGTON - Fewer eligible Americans - 36 percent - voted this week than in any election since 1942 when the nation was at war, fording to a study based on ful at persuading blacks, union members and women to go to The examination, by the Committee for the Study of haps nailed the coffin on the the American Electorate, belief that low immout benefits raises serious doubts about the the GOP," said Curtis Gans, longheld notion that core Re-

By Peter Baker

ington Post Service

WASHINGTON — Panla Jones's

lawyers have made a new settlement

fering to drop her long-running sexual harassment case for \$950,000 without

proposal to President Bill Clinton, of-

publican voters can be counted on to be more energized about voting -and that therefore low turnout benefits Republican candidates. This year, Democrats capitalized on the expected low turnout and were particularly successthe polls. "This election per-

any outside payments by a New York body's spirits are buoyed by Tuesday's millionaire who has inserted himself in the negotiations, according to sources wait and see what happens.

But bolstered by his party's victories backdrop of new intrigue in the Jones

the midterm election. Mr. Clinton camp as the lawyers who have repre-

rgain. His attorney, Robert Bennett, that they will quit once an appeals court

dignaled that he was not in the mood to sented her for the last year announced

California, for instance, and the Democrats wrested the California governor's seat in two hotly contested races.

This dwindling participaovershadowed by President paign four years ago.

Bill Clinton's affair with Monley Lewinsky. On the television networks this year, there were a section of the television networks the section networks the section of the television networks the section networks the section of the television networks the section networks the sectin

stantially in New York and politics, according to an analysis by S. Robert Lichter, president of the Center for Media and Public Affairs in Washand a New York Senate seat ington. He said there were 73 percent fewer stories on the networks about the elections than during the midterm carn-

minutes to the Lewinsky case

licited \$1 million offer from a real estate

insist on both for a combined \$2 mil-

those registered, according to Mr. Gans. In all, an estimated there were roughly six news stories about the scandal for from Sept. 7 through Monday. 72.5 million Americans voted Tuesday, down more than 2.5 million from 1994. And the largest number of eligible Clinton Rejects New Paula Jones Offer to Settle Americans in history opted

The highest turnout of any Donovan Campbell Jr., in a phone call missed lawsuit. Mrs. Jones has held out that the president's previous \$700,000 for a hefty payment, even though she - 59.5 percent of elifor a hefty payment, even though she said when she filed the case in 1994 that gible voters - was recorded in Minnesota, where Jesse she was not in it for the money and would Ventura, a former pro wrestcontribute any after-expenses proceeds ler and Reform Party candito charity. This fall, she opened the date, was elected governor. in settling right now," said a person bidding with a \$1 million proposal and refused to come down after Mr. Clinton The decline in turnout af-

119.45 million.

fected Republicans the most. Republicans accounted for an 18 percent share of the eligible vote, compared with 22 magnate, Abe Hirschfeld, and decided to percent in 1994. Democrats suffered more modest loses; the party's turnout was 16.8 But Mr. Hirschfeld, who said he percent, compared with 18.9 wanted to help end a national spectacle, percent in 1994.

Republicans Choose Philadelphia for 2000

WASHINGTON — The Republican National Committee has chosen Philadelphia over New York and three other cities for the party's national convention in 2000.

With an announcement that turned attention from the Republicans' dispiriting election results, party leaders picked a city that was also a finalist for the Democratic national convention in 2000. But after Philadelphia officials were told they had won, they informed the Democrats that they were withdrawing their bid, leaving Los Angeles as the probable front-runner for that con-

Denver and Boston are among five other cities competing for the Democrats, who are expected to narrow their finalist list next

The final selection is expected by January, but many senior Democrats say party leaders favor Los Angeles as part of an effort to win California's 54 electoral votes. the most of any state.

Last Race Is Decided

WASHINGTON - The last congressional race in the country has been decided with Molly Bordonaro, a Republican, conceding to David Wu, a Democrat, in the open contest for the First District of Oregon. Mr. Wu, a Portland high-tech lawyer, lopsided as I've ever seen."

overcame an early fund-raising disadvantage to become the third Chinese-American and the first born in Taiwan to serve in the House.

Mr. Wu. 43, who came to the United States in 1961, campaigned as a New Democrat in his Democratic-leaning district. In a race that had been seen as a tossup, he defeated Ms. Bordonaro, 29, who campaigned as a centrist, by points. With about half the vote counted, Mr. Wu had 54 percent of the vote to 43 percent for Ms. Rordonaro.

In an abortion-rights district, Mr. Wu appeared to have moved Ms. Bordonaro to the right in voters' minds by emphasizing her past support of a constitutional ban on abortion and the abolition of the Education Department.

Mr. Wu replaces Representative Elizabeth Furse, a Democrat. His victory means the new House will have 223 Republicans, 211 Democrats and one independent — a gain of five seats for the Democrats. (WP)

Quote/Unquote

Fred Wertheimer, president of Democracy 21. a nonprofit group favoring campaign finance reform, on the results of the midterm elections: "Money doesn't guarantee winning, but it sure gives you a big advantage. Almost all the congressional candidates who won had substantially more money than their opponents — and almost all those folks were incumbents. It was as

Bob Kane, 83, Creator • A steering thruster in Discovery's rear section failed on a baby in her care, plans to fight a wrongful death lawsuit a baby in her care, plans to fight a wrongful death lawsuit ber her lawyers have asked U.S. District Judge

offer was now off the table and that he

would not respond any time soon to the

new Jones proposal, the sources said.

The latest entreaty came against the

Of 'Batman,' Is Dead LOS ANGELES (Reuters) Kane was the cartoonist on Bob Kane, 83, the cartionist who created Battionist who created Battionist who created Battionist who created Battoonist who created "Batman," one of the world's
most enduring superheroes,
has died, his publisher said.
"DC Comics, which still
"DC Comics, which still
"and the Riddler, among others.
Batman was a hit television
series in the 1960s and the
subject of four blockbaster.

said he died of natural Inspired by everything from a Leonardo da Vinci drawing of a man with arms outstretched to the success of "Superman," another car-toon character, Barman made his debut in Detective Comics after the 1940s but that he in May 1939. He went on to supervised it for many years

home in Los Angeles. Friends

"He is one of the world's ress Elizabeth Sanders Kane, that conquered the world. most identifiable characters and he spawned everything from TV and movie series to clesting lines, toys, games, carrons, newspaper strips and Halloween costumes, said a comic book historian,

Mark Evanier. Batman is everywhere."
-Mr. Kane was credited with creating the world's first himman superhero. Superman, which began a year before Batman, was born on the dying planet Krypton and sent to Earth to save his life.

Batman was different. He was Bruce Wayne, a wealthy suphan who mined to a life of fighting crime after he saw his parents murdered when he

was a child. In Mr. Kane's hands, with is book writer, Bruce Wayne assembled a vast assortment of cars and weapons - but no occars and weapons—out no gens— to fight crime in troubled Gotham City, a place plagued by such villains as "the Joker," "the Riddler" and "the Penguin."

cartoonist in his teens, assembled a studio of artists and writers to produce the comic book and over the years there were disputes over who cre-

Man comic books, said Mr. subject of four blockbuster films. The publisher said that along with Superman and

"Wonder Woman," Banman is the only character to remain in continuous comic book publication since it was created. Mr. Evanier said he bebecame the caped crusader and acted as a consultant on the movies. His wife, the act-

appeared in the Batman movies as a Gotham City gossip columnist. Luther Jerstad, 61, Climber of Everest

NEW YORK (NYT) -Luther Jerstad, 61, an Oregon mountain guide and member of the first American team to reach the top of Mount Everest in 1963, died Oct. 31 in Nepal on a trek up Mount Kala Pattar, a much lesser consin in the Great Himalayan Range.

News reports from Katmandu said that he suffered a heart attack 500 feet (92 meters) from the summit of the 15,000-foot Kala Pattar, which is best known for the spectacular vistas it affords of the help of Bill Finger, a com- Mount Everest, at 29,028 feet

former teacher with a doctorate in drama before he went into business to guide rafting adventures and tiger photo-shoots in Asia. He also ran climbing schools on Mount

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told Mrs. Jones's chief counsel, decides whether to reinstate her dis-**Away From Politics**

body's spirits are buoyed by Tuesday's countered with \$700,000. She then be-

failure was not a major concern because the shuttle has 43 other thrusters. The shuttle Discovery, carrying 77-year-old Senator John Glenn, is scheduled to land at 1704 GMT Saturday at the Kennedy Space Center in Florida.

(AP)

• The Justice Department is suing the state of Louisiana over conditions at its four youth prisons, which are alleged to be places where young inmates have little protection from abusive guards and slim hopes of getting good medical care The lawsuit is a result of two years of investigation. (AP)

against her. Her lawyers have asked U.S. District Judge William Young to set aside the default judgment against her that resulted when she failed to respond to the suit filed by the

hazards of teenage employment, saying that young people who work more than 20 hours a week are less likely to finish high school and more likely to use drugs and get into trouble with the police.

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Mr. Jerstad, who went by the name of Lute, was a

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boy's parents, Sunil and Deborah Eappen. A national panel of scientists issued a warning about the

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By Elizabeth Olson New York Times Service

GENEVA - Anti-Semitism has spread in Switzerland in reaction to the recent scrutiny of the country's wartime actions, according to a

A yearlong study found that inhibitions against the open expression of racist views had been swept away during the controversy over Switzerland's responsibility to compensate Holocaust victims for assets lost during World War II. The controversy broadened into a wide-ranging examination of Switzerland's role in the war.

"The Swiss believed that they were different, that they didn't have dirty hands, that they were specially protected against all that happened around them," said Doris Angst Yilmaz, the commission's secretary-general. "This study showed that we are like our neighbors. We are not special or different, even in anti-Semitism."

The Swiss Jewish Federation said the finding, released Thursday, "shows there is a significant need in Switzerland to improve education so that there is better knowledge of, and communication with, the Jewish minority." Of the 7 million people living in Switzerland, about 17,500 are

Although prejudice has existed in Switzerland for centuries, the most famous example occurred in 1938, when Switzerland asked Germany and Austria to stamp a "J" on the passports of Jews, a practice used to identify them in order to bar their entry into Switzerland.

The report found that prejudice against Jews is not organized and is seldom linked to rightist

"You find anti-Semitism here in daily life, not in organized demonstrations," said Professor Georg Kreis, a Basel University history pro-

fessor who specializes in World War II and who led the study. "It is not confined only to one class, but exists throughout society."

The "political crisis concerning Switzer-

land's self-image" and a recent economic down-turn combined to bring anti-Jewish feeling into

the open, according to the report.
"Latent anti-Semitism is again being increas ingly expressed in public by word and by deed,"
the report said. "There often emerges a dangerous differentiation between 'the Swiss' and

"The Jews' were the villains and 'the Swiss' were the victims," Mrs. Yilmaz summed up.
The study was undertaken after lean Pascal
Delamuraz, then the Swiss president, in provocative remarks in December 1996, labeled Jewish demands for compensation "blackmail."

His remarks helped make Jewish stereotypes acceptable and anti-Semitic sentiment burst into

public view, the report said. He later apologized, but the report said his view was supported by a large number of Swiss, as shown in letters to newspapers, remarks in the media and comments in markets and other public places. Jewish groups and prominent individuals began receiv-

ing threatening letters.

Although the commission completed its report prior to the agreement in August by Switzerland's largest banks to pay \$1,25 billion to Holocaust survivors, the report warned that the deal "may arouse new signs of anti-Semitism in Switzerland."

Switzerland signed international human rights accords in 1994, and later 55 percent of the Swiss voters approved anti-racism laws, similar to those in France and Germany, that forbid disparaging the Holocaust. In 1995, the Federal Commission against Racism was established.

The report said this legislation ended Switzer-

land's position as "a hub for slanderous am Semitic and 'negationist' material in Europe," a role that had grown because the country lacked. legal barriers.

M Israeli Aide Praises Bulgaria

The speaker of the Knesset, Israel's Parliament, on Friday praised Bulgaria for saving its Jews from Nazi concentration camps in World War II and remaining free of anti-Semitism, The

Associated Press reported from Sofia.

"Unlike other states in Eastern Enrope, Bulgaria has never seen anti-Seminism." Dan Tihon said. "Jews have always been an organic part of

the life of Bulgarian society."

Mr. Tihon addressed Bulgarian lawmakers in a session commemorating Dimitar Peshev, a Bulgarian lawmaker who played a key role in saving the 48,000 Jews living in the country in 1943 from being deported to a death camp.

French Skirmish Over 1917 Mutiny

Chirac Judges Jospin's Call for Rehabilitation Over the Top

Berlin Ends Islam Dispute

Court Allows Muslim Instruction in City Schools

By Craig R. Whitney New York Times Service

PARIS - A day after Prime Minister Lionel Jospin called for rehabilitation of French soldiers executed for refusing to fight in a World War I battle that cost 300,000 French lives, the country's Gaullist president, Jacques Chirac, on Friday called the prime minister's re-

marks "inopportune."

The 1917 battle, along a ridgeline road called the Chemin des Dames, remains a sensitive subject in France on the eve of the 80th anniversary of the

By Roger Cohen

New York Times Service

BERLIN - After a long dispute, a

Berlin court has ruled that the city's

35,000 Muslim children will be allowed

to receive Islamic religious instruction

The decision, long resisted by the city

government, opens the way for the Islamic Federation, a group representing many of Berlin's 220,000 Muslims, to

give lessons on the Koran and Islamic

been available, although classes in the Roman Catholic and Protestant faiths

the result was the decision ended up in

court," said Barbara John, the city's

commissioner for foreign affairs. "The

fact is, there is a growing phobia about

Islam in European countries linked to

television images of Iraq, Algeria and

Iran, and that fear is gravely mis-

The decision reflects Germany's gradual and painful reconciliation with

the fact that it is a multiethnic state with

by far the largest population of for-eigners — more than 7 million — in

Europe. Last month the new Social

Democratic government agreed on draft

legislation that would make it easier for

these foreigners, who include about 2.2

In a country where religious edu-

cation is generally obligatory. Berlin is one of only three federal states that have

made religion a voluntary subject. The

others are Bremen and Brandenburg.

The authorities here have left it

primarily to the Catholic and Protestant

churches to organize classes and cur-

million Turks, to become German.

Up to now no such instruction had

in schools for the first time.

were offered.

Nov. 11 armistice that ended the war. An aide said that Mr. Chirac's office had received outraged complaints from families of soldiers killed in the war and from some of the few hundred surviving veterans after Mr. Jospin made his re-

marks Thursday.

Recalling the battle of the Chemin des
Dames at a ceremony for the dead in the
village of Craonne, Mr. Jospin said:
"Some of these soldiers, exhausted by attacks that were doomed in advance, slipping in mud stained with blood, plunged into bottomless despair, re-fused to be sacrificed. Let these soldiers,

riculums in two free hours provided

every week. About 40 percent of pupils

But under the pretext that no suitable organization existed to represent the

city's large Muslim population in drawing up a syllabus, Berlin had barred

ing up a syllabus, Berlin had barred Islamic instruction despite a campaign by the Islamic Federation that lasted

more than 10 years and ended up in

children to mosques" to receive in-

struction in their spare time, said Bekir

Durak, the chairman of the federation's

executive committee. "The problem is

that the media have often portrayed us

as radicals, although our ideals are tol-

nature of the federation, which is gen-

erally regarded as the most radical of

three large Islamic groups in Berlin. The others are the Turkish Islamic Union

come up with a different solution earli-

"It is unfortunate that the court identified only one organization, and the one

and the Islamic Cultural Centers.

Still, some doubts persist about the

We had been forced to send our

have chosen to attend

cipline whose rigor was equaled only by the hardships of battle, be reintegrated today, fully, in our national collective

memory."
Friday, Mr. Chirac, forced to live with Mr. Jospin's leftist coalition government after elections last year called by the president failed to produce the expected Gaullist victory, let the prime minister know he had gone too far, softening the blow by issuing the statement from his office in the Elysee Palace rather than in his own name.

"At the moment when the nation is commemorating the sacrifice of more than a million French soldiers who gave their lives between 1914 and 1918 to defend their invaded homeland, the Elysee finds any public statement that could be interpreted as rehabilitation of the mutineers inopportune," Mr. Chirac's office said.

The power of the past remains strong in Europe, and in Britain, families of soldiers executed during the war for cowardice and desertion won permission this year for the first time to hold a ceremony in their memory Saturday at the monument to the war dead in London's Whitehall

Here, Mr. Chirac and his Gaullist camp, always wary of being co-opted by the deft and pragmatic Mr. Jospin, chose to pick a political fight over a World War I battleground. The controversy also pitted Gaullist patriotic sentiment against suspicions of Socialist and Communist pacifist leanings, suspicions that go all the way back to the Great War.

Mr. Jospin's father, 17 years old and evacuated by the German occupiers with other civilians after the French started their offensive on the Chemin des Dames in the spring of 1917, said he had became a pacifist after seeing the mutilated dead bodies of soldiers along the roadside. Stanley Kubrick's "Paths of Glory,

a movie about the mutinies made in 1957, was banned in France until 1972.



Snow-covered trees framing a landscape near the Titisee resort area in the Black Forest in southern Germany on Friday. As autumn settles in around most regions of Europe, the first snow fell in areas of higher elevations such, as the Feldberg mountain here, which is 1,493 meters high.

seen by other groups as closest to the fundamentalists," Ms. John said. "But this is the result of our own failure to Chile Recalls Envoy Over Spain's Call for Pinochet

The Associated Press

SANTIAGO - Chile recalled its am-Of Berlin's Muslim population, bassador to Spain on Friday to protest a about 70 percent are Turks, with other decision by the Spanish government to request the extradition of General Augusto Pinochet.

large communities from Bosnia and Lebanon. The city has 70 mosques. In a statement issued Thursday, the The Spanish cabinet approved a re-Berlin City Council said that all classes quest from a Spanish magistrate, Baltason Islam in the city should be taught in ar Garzon, for the extradition of General German, and it urged the three main Pinochet from Britain to Spain to be Islamic organizations to "form a joint tried for genocide, terrorism and torture association with the aim of defining the during his rule from 1973 to 1990. framework of lessons."

The Chilean foreign minister, Jose Miguel Insulza, said relations with Spain would not be broken or suspen-

ded. But the foreign minister, visibly angry, said that the Spanish Council of Ministers had acted "as a mere mailbox for Judge Garzon's requests."

The ambassador, Sergio Pizarro, was expected to return to Santiago over the weekend, he said. General Pinochet, 82, was arrested

Oct. 16 in Britain at the request of Judge Garzon, who is investigating the killing and torture of Spanish citizens in

The government of Chile has sought to secure the former dictator's release, asserting that he has immunity and that Spanish courts have no jurisdiction over events in Chile.

The decision of the Spanish cabinet leaves General Pinochet's fate in Britain's hands. The High Court in London ruled on

Oct. 28 that his status as head of state conferred immunity from prosecution for crimes committed during his rule. A five-judge panel from the House of Lords is hearing an appeal of that decision and is expected to rule next week. In the meantime, General Pinochet is under police guard in a London hospital, where he is recovering from back surgery.

WEATHER

BRIEFLY

Jewish Leader Sees More German Bias

BONN - Germany's Jewish leader has warned of a resurgence of far-right extremism ahead of the 60th an-niversary of a Nazi pogrom that came to be seen as an ominous portent of the Holocanst.

Ignatz Bubis, head of the Central Council of Jews in Germany, said he was also concerned about a rise in anti-Semitism in Germany in an interview with the Jewish quarterly, Tribuene, excerpts of which were released on Fri-

year, Germany Kristallnacht (Night of Broken Glass of Nov. 9-10, 1938, when Hitles. stormtroopers mounted a pogrom," killing 91 Jews and ransacking their homes, businesses and synagogues.

Germans are set to take part in commemorations, religious services and other events across the country for the next few days to remember that night 60

Swiss to Investigate Crash of Airliner

GENEVA - A Swiss judge has opened an investigation of Swissair on the basis of "manslanghter through negligence" in the crash of the autine's MD-11 jet off the Canadian coast in September, a lawyer in the case said

The parents of a 19-year-old woman, one of the 229 people on board Flight 111 who all died, filed a complaint against Swissair with the Geneva district attorney, who decided to open a "criminal investigation," said Christian, Luscher, a lawyer for the plaintiffs.

U.S.-Deported Man Released in Belfast

BELFAST — An Irish Republicate Army fugitive at the center of a many thon legal battle to stay in the United States was the latest convict paroled Friday under terms of Northern Ire-

land's peace accord.

Joe Doherty, sentenced to life in aB¹
sentia for killing a British Army commando in 1980, walked free from the
anti-terrorist Maze prison, six years
after losing a U.S. Supreme Court apland's peace accord.

peal against extradition. Mr. Doherty reached New York with a fake passport after shooting his way, out of a Belfast jail during a 1981 trial. The FBI arrested him in Manhattan in

During his fight to stay in the United States, he won broad support from the city's Irish-American lobby. (Alb)

TRAVEL UPDATE

Milan Hub Recovers From Sticky Runway

MILAN (AP) — A sticky resin that grounded about 20 planes at Malpensa airport near Milan has been cleared from the runway, and flights are back on schedule, airport officials said Friday. One of the international hub's two

runways was closed Thursday after officials discovered that a resin applied overnight had melted and was sticking to the wheels of aircraft that landed or were trying to take off. The resin was applied to make the runways more visible to pilots.

The head of the company that runs the airport blamed employees of a subcon-

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tractor. The authorities in Varese, north of Milan, opened an investigation into the incident Friday.

Classes are expected to begin next

Eiffel Tower Reopens

PARIS (AP) - The Eiffel Tower reopened Friday after management agreed to accelerate the hiring of seven vorkers, ending a weeklong strike. The walkout cost an estimated 300,000 francs (\$55,000) per day.

British Airways and Maley Airlines will start joint service between Budapest and Manchester and Birmingham, in England, on Nov. 16.

Traffic bans on the Rhine River from Mannheim to the Netherlands and the Neckar near Heidelberg ended Friday after high water receded, but the Danube from Passau to Regensburg and most of the Main stayed closed. (AFP)

Correction

The source of a photograph on the front page of Wednesday's editions, showing a newsstand in Vietnam, was misidentified. The photo was taken by Thomas Crampton of the International

Comoros President Is Reported Dead

MORONI, Comoros - President Mohammed Taki of the Comoros died Friday of natural causes, the state radio Soldiers were deployed on the streets

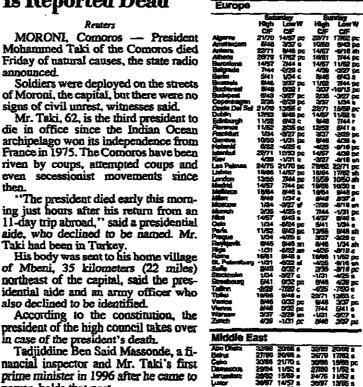
of Moroni, the capital, but there were no signs of civil unrest, witnesses said. Mr. Taki, 62, is the third president to die in office since the Indian Ocean archipelago won its independence from France in 1975. The Comoros have been riven by coups, attempted coups and even secessionist movements since

"The president died early this morning just hours after his return from an 11-day trip abroad," said a presidential aide, who declined to be named. Mr. Taki had been in Turkey.

His body was sent to his home village of Mbeni, 35 kilometers (22 miles) northeast of the capital, said the presidential aide and an army officer who also declined to be identified. According to the constitution, the

in case of the president's death.

Tadjiddine Ben Said Massonde, a financial inspector and Mr. Taki's first prime minister in 1996 after he came to power, holds that post.





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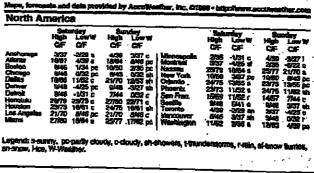
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EUROPE Asia

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EUROPE Asia

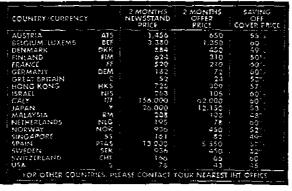
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Malaysia Builds a Case for Controls

By Mark Landler New York Times Service

KITALA LUMPUR — In little more than a week, the world's leaders will meeting of the Asia-Pacific Economic On Sept. 1. Malaysia discontinued

trading in its currency, the ringgit, and imposed sweeping controls on the flow of apital in its stock and currency markets, in doing so, the Malaysian prime minister, moribund economy. Malaysia's foreign

that President Bill Clinton and the other leaders are coming here to champion.

Mr. Mahathir's decision drew jeers converge on this businesslike city in the from international investors and poliheart of Southeast Asia for the annual cymakers, who warned that Malaysia was seeking a quick fix that would retard Cooperation forum. They could hardly be its desperately acceded reforms and leave it on the sidelines when Asia finally it on the sidelines when Asia finally recovered from the regional malaise.

Now, however, Mr. Mahathir's allies are marshaling new economic data that they say indicate that capital controls are breathing new life into the country's the country is sheltered from the vagar-

Indonesian students protesting Friday in Jakarta as riot policemen

kept them from reaching the main gate of the Parliament building.

BRIEFLY

donesian students protested Friday to gued that his arrest in his homeland

There were no reposts of violence than four years after the shootings. His during the profests, which were staged lawyer, Elwood Sanders Jr., argued

as tension mounted ahead of next that the FBI had no right under the

week's special session of the People's treaty to arrest Mr. Kasi overseas and

political laws and move Indonesia to- the Pakistani government's cor

Indonesian Students

demand that former President Suharto

and his allies stand trial for crimes

against the country during his long

ward democracy.
About 10,000 students gathered at

the University of Indonesia campus in

central Jakarta but later dispersed

accrumy.

They called for action against Mr.

The students also demanded an end.

to the political role of the military,

whose image has been tarnished in

recent mouths following revelations

of mass human rights abuses during

Pakistani Rebuffed

By Virginia Court

Suharto, whose 32-year rule ended in

May in the face of a growing eco-

nomic and social crisis.

Protest on Suharto

capital murder conviction and death

two CIA employees outside the

agency's headquarters in Langley,

irginia. Mir Aimal Kasi's lawyer had ar-

FBI agents arrested Mr. Kasi in a

The Supreme Court unanimously

NEW DELHI - Talks between

senior defense officials from Pakistan

and India made little progress Friday

in settling a dispute over a Himalayan

glacier where 13 soldiers have been

The two sides were trying to defuse tensions in the contested Kashmir re-

gion, but they agreed only to hold another round of talks.

Reports Thursday night described a

heavy artillery exchange on the Siachen Glacier in northern Kashmir,

a Himalayan region that is claimed by

Kashmir Talks Fail

To Make Progress

killed in 10 days.

hotel room on June 17, 1997, more

olated a 1935 extradition treaty.

tence of a Pakistani man who killed

Mahathir bin Mohamad, in effect reserves rose strongly in September, and slammed the door on the global economy there is anecdotal evidence that consomers are starting to spend again. "It's nice to be able to say that since

we adopted capital controls, the economy has improved," said Zainal Aznam Yusof, deputy director of the Institute of Strategic and International Studies, a research organization here that helped draft the policies. "But we want to see whether this is strongly susminable."

Critics said it was predictable that capital controls would be a short-term tonic to Malaysia's economy. Because ies of capital flows and currency fluctuations, they said, the government has been able to ease interest rates and encourage consumer spending.

Still, the mere fact that Malaysia's experiment has yielded some positive re-sults guarantees that the issue will come up during the APEC meeting. With Mr. Mahathir leading the campaign, the cause of capital controls will have a fiery advocate who has a penchant for getting under the skin of Westerners.

"Mahathir is a very outspoken political leader," said Chia Yew Boon, an independent analyst in Singapore. There is no way the likes of Clinton or Jiang Zemin are going to be able to muzzle him," he added, referring to the president of China.

have expressed fears that if Malaysia's gambit is seen as successful, other ecogion, such as Indonesia, might be temp-

they will stick to the recovery plan de-vised by the International Monetary Fund, which stresses economic austerity and open markets.

sympathy for Mr. Mahathir's policies, while Paul Krugman, an economist at the dassachusetts Institute of Technology. has advocated using some version of them

Mr. Yusof said recent events had vin-

With capital controls as protection, Mr. Yusof said, Malaysia is picking up the pieces of its shattered economy. in addition to building its foreign reserves, he said, Malaysia has improved its trade balance and revived consumer pur-

Foreign investors have also not wholly abandoned Malaysia, as some experts had predicted they would. While foreign direct investment fell in September - to \$142 million, from an average monthly rate of \$321 million for the

For every comforting statistic, though, the critics produce an alarming one. They said the increase in Malaysia's foreign reserves was merely due to the new capital restrictions, which stip-ulated that Malaysian currency held outside the country would be worthless

The skeptics also noted that bank lend-

"The argument was that by imposing capital controls, you'd regain control over monetary policy, which would increase the supply of money and lessen the li-quidity crunch," said K.S. Jomo, a pro-fessor at the University of Malaya.

Policymakers in the United States nomically weakened countries in the re-

So far, Indonesian officials have said

But officials in Japan have expressed

dicated Malaysia's contention that it needed to insulate itself from the ravages of the global financial system. He said the recent near-collapse of a prominent American hedge fund underscored how sudden flows of capital can have destructive consequences. The fund, Long-Term Capital Management LP, was nearly wrecked by a series of wrong bets on Treasury securities after the collapse of the economy in Russia prompted a

flight of capital out of that country.

The LTCM fiasco really provides a case study of what could go wrong in the global economy," Mr. Yusof said.

chases of durable goods.

period from January throug it did not dry up completely.

unless repatriated by Sept. 30.

ing declined in September, despite several reductions in interest rates. So the consumers who are buying new cars and home appliances are dipping into their savings, which means the buying spree will end when their savings are depleted.

"That's not happening."

Placing your job ad in DIE ZEIT is like fishing

in an aquarium.

RICHMOND — The Virginia Supreme Court upheld on Friday the TRIAL: Police Inquiry in '97 Called Anti-Anwar Charges Baseless

Malaysians in a show of people power to desand a revision of the country's political system, an end to high-level corauntion and the resignation of Mr. Mahathir, who has held power here for 17 years and is now Southeast Asia's

ongest-serving leader.
...Mr. Mahathir was clearly looking to the court system to prove his accusations that Mr. Anwar was, in his words, 'a sodomite who was morally unfit' to succeed him. But in this first week of what is expected to be a lengthy trial, the case by the prosecutors has suffered a series of embarrassing setbacks, surprisngly from their own lead witness.

Continued from Page 1 engaged in sexual miscondoct and thed to cover it up, Mr. Mohamed Said has to cover it up, Mr. Mohamed Said has to cover it up, bolstering Mr. Anwar's inended up bolstering Mr. Anwar's inended up bolstering between the charges are the charges are shown of the sexual miscondoct and the charges are interested economic policies, which ended up bolstering Mr. Anwar's inended up to the charges are the charges and the charges are the charges

"I think the prosecution is in total disarray," said Syed Husin Ali, who heads the small opposition Malaysian People's Party. "From what I've heard, the word go, I already said this was a frame-up, it all depends on how well the people cooperating with on how well the people cooperating with the people cooperating wit they might as well close their case. Prom you hold up. But it's very difficult to stand up in favor of lies."

Mr. Syed Husin said that many Malaysians were already convinced there was an anti-Anwar conspiracy consisting of political rivals for the po-Rather than lay out the broad outlines sition of Mr. Mahathir's successor and

engaged in sexual misconduct and tried their interests from Mr. Anwar's West-

there are those who wanted Anwar out." he said. "Their economic and political

interests linked up. In his testimony Friday, Mr. Mo hamed Said, who the day before ad-mitted that he would be willing to lie in

conspiracy to topple Mr. Anwar. His 1997 report mentioned just two persons, including a dismissed police inspector named Mohamad Taib who. Mr. Mohamed Said wrote, posed as an intelligence officer and persuaded Mr. Anwar's accusers to make their damaging statements.

of the government's case that Mr. Anwar corporate groups that want to protect CONGO: Rwanda Admits to Role in War, Opening Way for Talks

Continued from Page 1

supporting the rebels. Uganda has admitted it has troops inside Congo, but Ravanda's denials have scuppered several anempts at mediation.

"Many people felt that the fact that Rwanda did not admit that they were combatants created immense difficalties," Mr. Mandela said. "Now that Rwanda has made this acknowledgment. I think that we have reason to believe there is going to be progress."

Though thousands of his own multechnic and mutinous troops appear to form the core of the rebel force, Mr. Kabila has called the conflict an invasion by Rwanda's army and its close ally, Uganda Somediplomats also have char-

involvement in an effort to avoid meeting and moops moved in sood mercantar.

"that confusion" about foreign forces, is facine from Hutn extremists inside cilent on the subject in the su acterized the war as an invasion. myolvement in an effort to avoid facting that troops moved in soon thereafter. "that confusion" about foreign forces. And degree of discountry that Kwanda ments of terratorial gains, have fa silent on the subject in recent days. Mr. Kagame said. "The conflict was an is facing from Hutu extremists inside silent on the subject in recent days.

Since installing Mr. Kabila in power that 630,000 Rwandans had been displaced by fighting in the northwest replaced by fighting in the northwest refallen out with him over the border se-

curity issue. Rwanda allowed hundreds of its troops to remain in Congo to help organize Mr. Kabila's new military. But as relations became strained, Mr. Kabila suddenly announced late in July - despite a prior agreement for a Rwandan withdrawal — that he was kicking Rwandan troops out of the country. This, coupled with Rwanda's belief that Mr. Kabila was recruiting Hutu extremists for his army, led to a final breach and Rwanda's decision to move in.

Mr. Kagame was vague Friday on precisely when his troops moved into Congo. He denied that his army was inside Con-Rwanda maintained its silence on its golese territory on Aug. 2, but suggested

internal conflict which has brought in and outside its borders was graphically

The framework that Mr. Mandela and others are proposing includes a cease-fire, a troop standstill, a foreign troop withdrawal, and talks leading to Con-golese elections. But Mr. Kabila has said he will not negotiate until Rwandan and Ugandan troops are withdrawn. Meanwhile, his main backers - Zim-

babwe and Angola - reportedly have stepped up deployments of their troops in the key eastern and central regions that are the flashpoints of the war. The concerted effort to stop the rebel advance appears to have had some effect. The rebels, called the Congolese Rally for Democracy, who at some stages in the war had made absost daily announce-



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A Hurricaine's Deadly Aftermath: Tombs of Mud and Obliterated Villages

By Molly Moore

CALLE REAL DEL BOSQUE, Nicaragua —

The terror of their final moments is frozen on the faces and bodies of the dead. One man's arm clutched a tree trunk, his face contorted in a scream as the currents of a muddy river ripped his body apart at the waist, leaving his torso dangling from a clump of debris.

Divated bodies with faces twisted in pain are strewn about the mud. Wheat stalks and sugar cane lie flattened as though pressed into the earth by some gargantuan steamroller. Entire villages were swallowed by the cascading muck then spat back out as chunks of concrete, snapped logs, stray cooking pots and shretded pieces of clothing.

A young boy, his body half-buried, tried desperately to crawl to the surface of the mud as he was swept down the side of the dormant Casitas volcano in an avalanche of houses, bodies and trees. A tiny girl clawed at the earth and kicked her legs in panic as she was hurled forward to her death on her back, eyes open wide.

A week after torrential rains from the hurricane designated Mitch pummeled Central have died in one of the most devastating natural America, a grotesque field of corpses remains as disasters to hit the impoverished isthmus this grisly evidence of the mudslide that cascaded century, so far, authorities have confirmed the

Nicaragua on Oct. 30.

Bloated bodies with faces twisted in pain are

collapse of the volcano's crown and roared down the side of its 1,600-meter cone, may have killed most of the 4,000 people who lived in 30 villages that once speckled the volcano's lush green slopes. So far, Nicaraguan authorities have confirmed 1,652 deaths and reported 1,800 people missing. Across Central America, government officials and relief workers estimate at least 10,000 people

down the flank of the volcano in northwestern deaths of 8.500 people, of which the largest share, 6.076, occurred in Honduras. An estimated 2 million people have been left homeless, straining the efforts of governments and aid agencies to provide shelter, food and medicine in Nicaragua

But authorities said the death counts remain only estimates. "We will never know the real death toll, since many people were buried by mud and entire families died in distant villages where there is no one to report their disappearance," said Tito Sequeira, a senior disaster official. Nicaraguan officials said, for example, that they were uncertain of the fate of more than half of the villages on the shoulders of the Casitas volcano because they had had no communication with them.

For generations, poor Nicaraguan farmers have tilled the black volcanic earth of the Casitas volcano, turning its sides into a patchwork of lime-green and emerald fields of corn, soybeans. peanuts and wheat. The volcano, long dormant,

and moved inland last week, dumping about 130 centimeters (about 50 inches) of rain on northwestern Nicaragua, the volcano's crater filled with water so rapidly that its crown burst like an overtaxed dam. So many bodies are believed to be buried beneath the mud that flowed down the side of Casitas volcano that officials have pro-

posed declaring the area a national cemetery.

For those bodies pushed to the top of the muck, disposal has been a morbid affair. Teams of health inspectors clad in blue plastic capes, face masks and rubber gloves set out each day to search for bodies. They spray them with gasoline and set them aftre to prevent disease. The bodies, some bloated to three times their normal size,

remain nameless and unidentified.

Sergio Santeliz, a 50-year-old farmer, lost 21 relatives — brothers, nephews, nieces, grandchildren - to the avalanche of mud and water. When

was never considered a threat. But after Mitch his 12-year-old grandson, Isaia, died in a hospital churned off Central America's Caribbean coast of a ruptured stomach after he was evacuated from the wrecked town of Rolando Rodriquez, Mr. Santeliz was determined that the boy would be

Santeliz was determined that the boy would be buried with dignity, a symbol for the nameless dead who could not be properly laid to rest.

As bodies burned in a nearby field and a church bell tolled Wednesday, the surviving Santeliz family members gathered around a small gray coffin in the cemetary of the nearby town of Posolitega. Isaia's body was wrapped in a cream and baby-blue cotton shroud, his damaged face framed by white lace. His sobbing grandmother and aunts stroked his curly black hair, dropped and aunts stroked his curty black hair, dropped chusters of tropical orange flowers around his body, then stepped aside as his grandfather and others nailed the lid shut and struggled to place the coffin in a water-filled hole.

"Everything we own has been obliterated," said Mr. Santeliz. "My family has been lost to the

Washington Signs Pact for Food to Russia

By David Hoffman

MOSCOW -- Russia and the United States agreed Friday on details of food aid to help see Russia through the winter after a poor harvest and hardship caused by the devaluation of the ruble and the rapid rise of food import prices.

Russia also received word from Prime Minister Keizo Obuchi of Japan of a promised \$800 million loan that is to be provide the aid as part of a larger loan package allocated by the Export-Import Bank of Japan.

The U.S. food aid envisioned in three protocols signed here Friday includes more than 3 million tons of wheat and foodstuffs, officials said.

The first agreement calls for the United States to advance a \$600 million loan for the purchase of 1.5 million tons of food, including 500,000 tons of corn, 300,000 tons of soybean meal, 200,000 tons of soybeans, 200,000 tons of wheat, and 100,000 tons of rice. It also includes 120,000 tons of beef, before the first payments.

In the second agreement, Washington will donate 1.5 million tons of wheat that will be processed into flour and sold on the Russian market. The proceeds are to they might be used for social programs.

ities, especially those in the Far North progress for a longer period. has been and Far East. Mr. Arafat, who condemned the in Israel.

Washington is to provide \$260 million for food transportation. The supplies will start in December and last for the first half of 1999, officials said. In earlier years, humanitarian aid of-

ten made its way onto the black market. U.S. officials said a two-man team will be permanently stationed in Russia to

The two sides also agreed that the aid would not be subject to taxes and customs duties, as the Russians had wanted.



ISRAEL: Terrorist Bombing in Jerusalem Halts Peace Accord

Continued from Page 1

Russian official said more vaguely that Friday whether Israel's decision to sus- stick to the path of peace in the face of pend ratification of the agreement would repeated acts of provocation." simply delay movement on the nl 100,000 tons of food, to be delivered few days - which alone would derail with peace-making in the face of terror cide bombers killed 15 people and injured directly to Russia's regions and char- the 12-week timetable — or freeze all

> bombing Friday, has already ordered the arrests of scores, possibly hundreds, of activists in the militant Islamic group Hamas, which has carried out terror at-

tacks on Israel in the past. Speaking in Little Rock, Arkansas, signed the Wye River agreement, they knew they would face this moment. of them would be under more danger and Israel would meet its commitments un-

go to the state Pension Fund, although a the next 12 weeks. It was unclear late muster a lot of courage in their people to

or stop territorial and other concessions has been a focus of bitter partisan debate

In the 1996 elections, Mr. Netanyahu criticized the Labor Party then in power for its stated policy of pursuing peace as if there were no terror and fighting terror as if there were no peace. Mr. Netanyahu said he would operate more along the Mr. Clinton said: "When Prime Min-ister Netanyahu and Chairman Arafat break off peace talks in the event of

terror attacks. He had seemed to abandon that stance They knew, when they went home, both in the last two weeks, signaling that of both attackers from the car, leaving one

dozens more in an attack in July 1997. Witnesses saw the red Fiat drive along

Jaffa Road and turn into the mouth of Etz. Hayyim, or Tree of Life Street. It stopped and emitted a series of loud

fearing an explosion, and others to move toward it in order to aid the driver. Seconds later, the car exploded. The force of the blast hurled the bodies

CELL: Discovery Raises Ethical Issues

Continued from Page 1

and colleagues at the Johns Hopkins University School of Medicine in Bal-timore, Maryland. Dr. Thomson's work is reported in this week's issue of Science, and Dr. Gearhart's in the Proceedings of the National Academy of Sciences.

"It has potential health benefits which I think are extremely promising, and I am sorry that the law prevented us from supporting it," said Dr. Harold Varmus, director of the National Institutes of Health.

After an egg is fertilized it divides several times and forms a blastocyst, a hollow sphere with a blob of 15 to 20. cells, known as the inner cell mass, piled up against one wall. It is from these cells

that the embryo develops.

Dr. Thomson grew his embryonic stem cells from the inner cell mass of blastocysts left over from a fertility treatment and due to be discarded. Patients who had undergone fertility treatment donated the blastocysts to be used in

As an embryo grows and develops its cells become irreversibly committed to their fates as specialized components of the body's organs. A pocket of cells, known as embryonic germ cells, is protected from the commitment process so as to create the next generation of eggs and sperm. Dr. Gearhart's group has developed and process are cells from the commitment process so as to create the next generation of eggs and sperm. Dr. Gearhart's group has were cloned in July from adult cells. as to create the next generation of eggs and sperm. Dr. Gearhart's group has developed embryonic stem cells from the germ cells of aborted fetuses. The cells developed by the two groups may well be equivalent but this has yet to be proved. If researchers are able to use the cells

that terrorists would target innocent ci-vilians. They knew they would have to attempt to blow up two buses full of alleviate the shortage of livers and other Israeli schoolchildren in the Gaza Strip. organs for transplant. Cultures of the The bomb exploded Friday in the heart cells in the laboratory could be nudged of West Jerusalem, just at the entrance to down different developmental pathways pancreatic cells. Before reaching their general Kofi Annan, or other diplomats, final stages, the about-to-become heart suggesting that a military response could cells, for example, could be injected into come swiftly. a patient's ailing heart. Guided then by the body's own internal regulatory signals, the cells would develop into new, young heart tissue, supplementing or replacing the heart cells already there.

The same approach should in principle work with any tissue of the body. Human embryonic stem cells would thus serve as a universal spare parts system. Because the cells grow and divide indefinitely in culture, very blastocysts would be needed.

that more witnesses could be added.

Instead, only Mr. Starr will testify,

Republican of Pennsylvania.

Many technical problems remain to be

resolved. The art of directing embryonic stem cells down specific pathways is in its infancy. But heart muscle cells have been grown from mouse embryonic stem cells and successfully integrated with the

heart tissue of a living mouse. Dr. Thomson in 1995 isolated the embryonic stem

cells of a monkey, and Geron intends to do pilot experiments in these cells.

Another problem lies in making grafted cells compatible with the patient's immane system. Dr. Thomas Okamas, Geron's vice by president for research, said Geron would explore several ways of doing this. One, the least preferred would be to set up a bank with enough different human embryonic cells the

most patients could be matched. Another would be to suppress the selfrecognition genes that make the stem cells appear foreign to the patient's immune system or, more elegantly, to replace them with copies of the patient's

own self-recognition genes.

A third approach would be to conver one of the patient's own body cells back to embryonic form by fusing it with a uman embryonic stem cell whose own nucleus had been removed. Embryonic

IRAQ: Cohen Ends Tour

Continued from Page 1

the United States did not support a new ם-שנו

"He knows what he needs to do." an administration official said of Mr. Saddam. "He doesn't need any more mes-

The administration and the Pentagon have refused to disclose details of ex-

actly what support Mr. Cohen and his entourage are seeking. But American and European officials said that Saudi Arabia had, for instance, agreed to let the United States use aircraft based at Prince Sultan Air Base

outside Riyadh to support a strike. The officials also said Kuwait and the United Arab Emirates had agreed to allow.

American planes based in those countered tries to be used if necessary. The United States has sharply reduced

the size of its forces in the area, from at high of more than 400 aircraft to about Other committee Republicans praised 170 aircraft now. Mr. Hyde's approach. "Bringing in witnesses to rehash testimony that's already It has also reduced its fleet in the Gulf

to 13 warships, led by the aircraft carrier concretely in the record would be a Dwight Eisenhower, though it has doubled the number of cruise missiles waste of time and serve no purpose at all," said Representative George Gekas, those ships are carrying.

For a time earlier this year, the United States had two carriers and more than 30 other warships in the region.

He has expressed eagerness to defend But officials at the Pentagon said the his four-year, \$40 million inquiry that forces there could conduct a potent strike against Iraq on a moment's notice.
The United States and Britain have critics say has turned into a vendetta against the president.
"He is the center of this inquiry," Mr.

said they would not need additional authorization to use force since presents. UN resolutions had already given tail. Hyde said at his news conference in Chicago. "He's someone everybody wants to hear from, and we're going to Russia has disagreed, however, and on Friday reiterated its opposition to the use Some Democrats want Mr. Starr to We are firmly convinced that any But other Democrats fear that Mr.

attempts to resolve the problem by force are pointless, because they will only un-dermine UN efforts to establish effective control over banned military activity in Iraq," the Foreign Ministry said.

■ Iraq Vows Defiance to UN

Iraq stood firm Friday in the face of the verbal broadside from Mr. Clinton and the unanimous UN Security Council residentian condemning Baghdad's decision to halt cooperation with arms inspectors. Reuters reported from Baghdad

'America and Britain have imposed a new resolution in order to inflict more harm against the Iraqi people and to prolong the unjust embargo," Abdul-Ghani Abdul-Ghafur, a senior member of the regional command of the ruling

Baath party, said Friday. Mr. Abdul-Ghafur said Iraq would not retreat from its decision unless there was a clear response from the Security Coulicil "to Iraq's legitimate demand to lift

outrage expressed by council members Saturday after Iraq shut down the arms

warned against the use of force against iraq. Russia's envoy to the UN, Serger Lavrov, who said that his government had been lobbying Iraq to change its policy added that the only way out of the impasse was through diplomatic and

"could be interpreted arbitrarily as d'kind of permission to use force," he said.

HYDE: To Speed House Inquiry on Impeachment, Clinton Is Asked to Answer 81 Questions, Some Pointed

Continued from Page 1

poenaed to testify in that case?" Answering such questions, Mr. Hyde said, would help wrap up the inquiry by the end of the year.

establishing our final conclusions." he said. "Rather, they will simply help us to establish what facts are in dispute and what facts are not.' Gregory Craig, the White House coordinator of impeachment strategy,

'No one should take these requests as

called Mr. Hyde's questions predictable and said: "I don't think our answers are announcing that the committee would going to change the dynamics of the We're going to work our way through it and make a good-faith effort

to respond to it in a timely manner, sooner rather than later.

Mr. Craig said the White House reply would probably be made before Nov. 13, when the president leaves on a 10-day

propriate way, we will say whatever we lawmakers said. intend to say," Mr. Clinton asserted before meeting with Democratic congressional leaders at the White House. the leadership fig. get back to doing the people's busi-

At a news conference in Chicago, Mr. tion would have "no significant im-Hyde described the letter to Mr. Clinton pact" on the proceedings. as he outlined the schedule for the inquiry against the president.
On Thursday, Mr. Hyde underscored

his goal to wrap up the inquiry this year, very likely summon only one witness, Mr. Starr, on Nov. 19.

Mr. Hyde also said that assertions from some committee aides on Wednesday that the panel would vote on articles of impeachment by Thanksgiving, Nov. 26, were incorrect.

And any alternative to impeachment, like censure, has been complicated by the leadership fight that has broken out The important thing is that we've got to among House Republicans in recriminations over the election debacle. Mr. Hyde said Thursday that the elec-

pact" on the proceedings.
But whether voters intended to or not,

the outcome of the election has been widely viewed by many Democrats and Republicans as a referendum on the scope and scale of the impeachment

"It certainly doesn't make our job any easier," said Representative Bob Barr, Republican of Georgia and one of Mr. Clinton's fiercest critics on the com-

"There'll be no impact on what we do But the shock waves from Democratic on the Judiciary Committee," he said.

"At the appropriate time, in the aptainty into the impeachment process, considerations." In light of public read confident, although Mr. Hyde said opriate way, we will say whatever we lawmakers said. office, the slim Republican majority in the House seems to stand little chance of mustering the 218 votes required for impeachment. The Senate then votes whether to convict.

"Some people are really depressed,"
a Republican aide said. "It's taken the wind out of our sails.'

Democrats seized on their gain of five probably for two days. seats in the House of Representatives and polls of voters that showed Americans' strong desire to end the inquiry now.

Representative John Conyers Jr. of Michigan, the ranking Democrat on the Judiciary Committee, said, "If the election has made clear one thing it is this: The American people do not want President Clinton impeached."
The truncated schedule that Mr. Hyde

described would abandon plans to call

such central figures as Bruce Lindsey, gains in the midterm election Tuesday "But other Republicans' view of im-have injected new doubts and uncer-peachment will be colored in by political Jordan, Mr. Clinton's longtime friend against Mr. Clinton.

Starr could make a compelling case

American Academicians Replace GIs in Berlin

By William Drozdiak

Washington Post Service

BERLIN - When the last U.S. troops left Berlin in 1994 after serving as democracy's sentinel for nearly a half-century, many Germans and Americans wondered how a special partnership forged in the days of the Cold War could be sustained for

future generations. parted U.S. soldiers with a new army of scholars. artists, critics and writers, the American Academy of Berlin was formally inaugurated Friday as part of a privately funded initiative to bolster American influence in the renascent capital of a reunited

"We are picking up the torch carried for fifty years by soldiers in a different context," said Henry Kissinger, the German-born immigrant who beacademy's honorary chairman. "If this initiative world. proves as successful for the next fifty years, the whole world will be better off."

was conceived four years ago by the U.S. am-bassador at the time, Richard Holbrooke, who has midwifed the project to its birth between his diplomatic chores as special U.S. envoy in the Balkans and his investment banking activities as deputy chairman for Credit Suisse First Boston.

"We wanted to create a living institution, not a monument or museum," Mr. Holbrooke said. "No other country has such unique ties with the United States. We must not let them die out with the wartime generation." The project assumed greater significance as the

U.S. cultural and diplomatic presence in many European countries has been sharply curtailed by budget cuts imposed by the Republican-led Con-In an enlightened attempt to replace those degress. Despite Germany's pivotal influence as the Continent's most powerful nation, the popular U.S. cultural centers known as Amerika Haus have been

shut down in four cities. The German-American partnership in the postwar era was nurtured by common security threats. But since the demise of the Soviet Union, the two countries have experienced a growing estrangement as Germany places higher priority on achieving European unity while the United States has came U.S. secretary of state and now serves as the shifted its attention to other hot spots around the

At a time when Europe's center of gravity is shifting toward Berlin while Germany embarks on The idea of a grand American cultural institution a new era of political leadership and even a new at the heart of Berlin's vibrant intellectual scene form of money with next year's introduction of a was conceived four years ago by the U.S. amsingle European currency. Mr. Holbrooke said it sprawling metropolis that once served as the power base of Hitler's Third Reich.

this year's 50th anniversary celebrations of the Allied airlift that ensured the survival of 2 million Berliners when the Soviet Army cut off ground access to the Western sector, described the academy as an "intellectual bridge" that will link younger generations with no first-hand understanding of the Cold War connection.

The seed money for the academy came in the form of a \$3 million donation from the family of the late Hans Amhold, once a leader of Berlin's financial community and a prominent patron of the 1920s artistic scene. The academy will occupy the 40-room lakeside mansion in which the Arnhold family lived before seeking refuge in the United

Mr. Amhold's daughter and son-in-law, Anna-Maria and Stephen Kellen, a prominent couple in New York's cultural and banking community, offered the founding grant when Berlin's city government provided the family mansion on a rent-free

During the four-power occupation of Berlin, the villa served as a recreation center for the U.S. Army before it was turned over to the city.

The first group of eight fellows arrived early this single European currency. Mr. Holbrooke said it was in "America's critical national interest" to Others include the poet C.K. Williams, the writer maintain an influential cultural profile in the Robert Koplowitz, the historians Gerald Feldman and Brian Ladd, the legal scholar Kendall Thomas, use of Hitler's Third Reich.

Berlin's mayor, Eberhard Diepgen, who has led chitectural critic Diana Ketcham.

5 Kosovo Rebels Killed In Clash, Serbs Report The Associated Press

give him that opportunity."

testify, to put him on the defensive.

PRISTINA, Yugoslavia — Five ethnic Albanian guerrillas were killed Friday in a shootout with Serbian police, according to a Serbian media statement. It was the highest reported death toll in any clash since an Oct. 12 agreement that established a de facto cease fire. The details of the killings could not be

immediately confirmed, but previous statements about similar clashes have accurately reported the number of casualties. According to the Serbian-run Media Center

in Pristina, a police patrol was attacked Friday morning in southern Kosovo. The police returned fire, killing five of the attackers, who wore uniforms of the Kosovo Liberation Army and were armed with automatic rifles and mortars, the media center. There were no police casuaities, the center said.

Two other Albanians were killed Thursday, according to Albanians interviewed in central Kosovo. The police reported that one guerrilla had been killed in a shoot-out near Klina.

■ U.S. Envoy Meets With Rebels The U.S. mediator, Christopher Hill, held

Reuters reported from Dragobilj, Serbia

talks Friday with senior members of the Kosovo Liberation Army amid mounting pressure for a settlement of the conflict in Kosovo,

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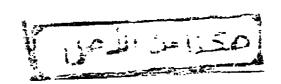
the unjust embargo."

The UN resolution made formal the

monitoring system. Several council members, however

Nothing in the resolution Thursday





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EDITORIALS/OPINION

Help Mitch's Victims

in recent history. The Clinton administration has pledged \$70 million in food aid and Pentagon help, and U.S. soldiers have rescued 600 people. But Honduras and Nicaragua urgently need helicopters to get food, safe water and medicine to those stricken by the torrential rains from Hurricane Mitch. Flooding and mud slides have killed at least 7,000 people, perhaps double that. To prevent more death, President Bill Clinton needs to galvanize his administration, coordinating a much larger effort that overcomes bureaucratic obstacles and gives the desperate people of Central America a level of assistance that matches their travail.

The need is staggering. The emergency will not subside when the waters do, as Mitch has destroyed the shelter and sources of food of millions of people. Once the emergency is over, of course, billions in international aid will be needed to rebuild and help farmers plant. Mitch wiped out two-thirds of Honduras's crops and 60 percent of its roads, bridges and buildings.

The most argent needs are for portable bridges and air transport. Even towns a short distance from major cit-

Washington is doing far too little to help Nicaragua and Honduras deal with one of the worst natural disasters ies are cut off by flooding and mud. The United States has lent Nicaragua four helicopters, and Mexico has lent two. Four more are coming, but Nicaragua's ambassador to Washington says that a total of 20 are desperately needed. There are seven helicopters at U.S. bases in Panama, and more can be flown by cargo plane from the United States in a matter of hours. There is no reason to wait.

Disaster relief is often a political event in Latin America. Nicaragua's dictator, Anastasio Somoza, was widely accused of stealing most of the relief money after an earthquake leveled Managua in 1972. This was an important element in his fall seven years later. Mexico's difficulties in building houses for those left homeless by the 1985 Mexico City earthquake left millions disillusioned with the ruling party. The governments in the region will lose all popular support if they do not distribute aid fairly or if

much of it disappears.

Mitch will set Central America's development back years, if not decades. The United States, which spent billions of dollars in the 1980s to finance wars in Central America, now has a responsibility to help save lives and protect the region's democracies. -THE NEW YORK TIMES.

Palestinian Showdown

Already it is plain that the Wye accord deepened potent internal di-visions on the Palestinian side. Within days, a suicide attack on an Israeli school bus took the life of an Israeli guard, and a car bomb Friday morning killed two people in Jerusalem. A freshly dutiful Yasser Arafat arrested the leadership and a hundred-plus members of the armed wing of militant Islamic Hamas. The group replied with a charge of betrayal against Mr. Arafat

and a threat to attack his police. Israel has its own problems in checking religious and settler violence. But being more politically coherent, Israel is in a better position to contain its outlaws. The authorities should find it easier now that the parties providing cover to the right wing are seen more clearly as obstacles to peace. Israelis know that shootings of West Bank Palestinians by Jewish settlers cut the moral ground out from under Israeli protests against the murder of Jews by Palestinians.

Under Wye's mother Oslo agree ment, Mr. Arafat often skimped on his security pledges. This time he stands to be held to them. Otherwise he forfeits the extra land he was promised in return. He must bottle up gunmen he armed and gunmen with their own arms whose challenge to his authority he has evaded so far. He is under pressure to cut down on the broad human rights abuses for which Palestinian security forces are known.

Some ask for patience and under-standing of the heavy costs both Israel and the Palestinians must pay to suppress terrorists in their different ranks. But why should there be any easy tolerance of illegal shootings and bombings of any sort? Israel knows the rule of law, though implementation remains incomplete. Palestinians know the rule of law much less well, but must learn it and apply it to secure their national goals.

- THE WASHINGTON POST.

Coming to Grips With a World in Transition

WASHINGTON — The recent annual meeting of the International Monetary Fund and World Bank created traffic jams in town and produced scare headlines about an impending worldwide economic meltdown, as well as hand-wringing about a possible ideo-logical shift against the global market place. What was lacking from the

speeches and the press commentary was clarity about the real task ahead. The lists of financial reforms offered up by economists and editorial writers missed the essential point: The situation is really a political crisis, and not simply an economic one; it is more a matter of in-stitution-building than currency reforms or interest rate adjustments.

The end of the Cold War was more than a political victory for the West. It signaled the end of a world political and economic system that organized international politics and economics. It was not simply the triumph of the mar-ket as some have argued. It was, in fact, the triumph of democracy. It was not the so-called American model of a market economy that proved superior, but what I like to call democratic capitalism — the combination of a market economy and democratic institutions embedded in strong, active civil societies. Such democratic capitalism comes in Canadian, Australian, British

By Derek N. Shearer

and Finnish brands, to name a few. Leaders in the United States and Western Europe were unprepared for the sudden end to the Cold War world system. Suddenly, millions of people around the globe found themselves freer than at any time in history - and eager businesses responded to the prospects of an emerging middle class be-yond the confines of the West.

However wholeheartedly Russia,

China and former authoritarian govemments in Asia, Latin America and Africa have embraced the market and the global economy, most were un-prepared for its demands. To succeed in the technology-driven, informationbased global economy requires a bedrock foundation of educational institutions, courts and police, passable infrastructure such as roads, telephones and airports, at least semihonest and semiefficient government service, and a regulatory regime for trade and finance that provides what is called transparency - i.e., a reasonable level of guarantee that exchanges are aboveboard and honest. Of course, property rights must be protected for national citizens and for foreign investors.

As has been amply demonstrated by.

events, global market forces are vol-atile and destabilizing to societies with-out firm institutional foundations. I well remember a visit to Moscow that I made in 1990 with the consumer advocate Ralph Nader. At a meeting at a leading Moscow think tank, we heard government economists extol Milton Friedman and the market and mock Mr. Nader's modest suggestion that some functioning regulatory agencies would be needed to referee Russian capitalism. Mr. Nader also argued that a strong democratic society with civic participation needs to be built if crime and corruption were to be avoided.

The Clinton administration has dealt with crises in Russia, Asia, Africa and Latin America in an ad hoc fashion, and has continued the traditional State/ Treasury/Commerce/U.S. trade representative/Pentagon divisions. State deals with diplomacy, Treasury with the economy, Commerce with business promotion, the trade representative with trade negotiations, and the Pentagon with military security.

Leadership is needed - and only the American president can provide it. Sadly Bill Clinton, the man who understands this era of transition, has damaged himself and been damaged by others. Whether he can recover is still an open question.

To create a stable global economy that spreads prosperity requires the building of democratic institutions across the globe and the development of civil societies that can support democratic capitalism. It should be a win-win situation. Capitalism without democracy is not stable because too many losers can bring down the sys-No one has a master plan for our era

of transition; it is a project for at least a generation to come. New institutions most be built nationally and internationally. Prime Minister Tony Blair of Britain has proposed a G-7-plus summit meeting to discuss the global economy and what immediate steps and long-term actions are required. It is a good idea and Mr. Clinton should em brace it and lead the effort. The foundations for a peaceful and prosperous next century can be forged in our time. but only if we act. Events will not take care of themselves.

The writer served as deputy undersecretary of Commerce for economics and as ambassador to Finland from 1994-97. He is currently a senior fellow at the Economic Strategy Institute and a business consultant. He contributed this comment to the Interna-

Who Lent to Ivan? And Where Did the West Go Wrong?

WASHINGTON - Food grows scarce and gallows humor abundant in postreform Moscow. One story making the rounds is that only two scenarios exist for the recovery of the Russian econ-

The optimistic scenario is that aliens will descend from outer space and put things right. The pessimistic scenario is that the job will be left to the Russians themselves. Like most jokes, this joke is

no joke. It captures the current and dangerous mood of many Russians, as reflected in their media and by a growing stream of Russians journeying to Washington to test how the future is seen here.

The aliens — Western financiers, the IMF and U.S. Treasury experts and other en-voys of capitalism — have in

By Jim Hoagland

they are departing, leaving the Russians to deal with the destruction these otherworldly economic experiments have

Whether the capitalist aliens had good intentions that misfired or hid evil designs to break up Russia is the subject of intense and important debate among Russians. The initial, knee-jerk mood of bitterness and blaming of others for their problems grows deeper and more serious as winter approaches, as detailed postmortems of the Western role in the Russian financial debacle

emerge and as Russians wonder. Where did the billions go? The evil conspiracy theory gives false credit to U.S. poli-cymakers for single-mindedly

view of some Russians. Now Clinton having the daring or the sustained attention and energy to carry out such a secret plot. Face it, comrades: The notion is laughable.

A stronger case can be made that the conditions for loans set the "virtual economy" of, by the International Monetary Fund, guided by the U.S. Treasury and State Department, inadvertently but clearly contributed to the deindustrialization and impoverishment of post-Communist Russia.

That case is outlined in a new study, "The Russian Crash of 1998," written by Sergei Rogov, director of Russia's U.S.A. and Canada Institute, and published by the Center for Naval Analyses in Alexandria, Virginia.

Mr. Rogov acknowledges quickly that Russians are responsible for their own fate. But he says the IMF's insistfact already landed and turned following a plan to bankrupt sponsible for their own fate. their invisible monetary ray guns on the populace, in the imagine George Bush or Bill sponsible for their own fate. But he says the IMF's insist-failures or inadequacies in the ence on monetary orthodoxy most important failed global

resulted in the sky-high Russian interest rates that belped; smother productive investment at home. To meet IMF concerns about inflation, the central bank kept rubles out of the hands of Russian workers and consumers. This created

weak financial markets and foreign-financed speculation that collapsed last summer.

Does the argument, this ongoing reconstruction of who shot John — or in this case who lent to Ivan — matter outside Russia? Should Russian disillusionment with the West be met by Western frustration and a shrugging, inward-turning, file-closing rejection of continued involvement in a situation beyond Washington's control?

That would be shortsighted in the extreme. Western instienterprise of this decade: man tegrating a democratic, free market and viable Russia into the world community.

But there is a broader point. Washington and other capitals have an enormous stake in how the history of the Yeltsin era is being written in Moscow. Remaining engaged in the intellectual and psychological di-mension of the Russian crisis. which is now paramount, is a vital Western responsibility.

The secretive IMF and the Clinton administration could normally be expected to resist public review of the internal debates and analyses on Russia that led to the August debacle. But the final two years of the Clinton presidency, which seems to be ruling out effective new initiatives, could profitably be devoted to figuring our where we have been as a way of figuring out where we are

The Washington Post.

The Impeachment Schedule

Suddenly Representative Henry Hyde looked as if he really meant it when he said he was not enjoying himself. Guiding the impeachment process is a constitutional duty, Mr. Hyde said, but "I'd like to have it

With that, the chairman of the House Judiciary Committee committed himself to an accelerated timetable for a committee vote and perhaps even a full House vote on impeachment by the end of the year. In addition he set plans for calling Kenneth Starr as the first and perhaps only witness, on Nov. 19. No less important he sent the White House a list of 81 questions to be answered "yes" or "no," giving President Bill Clinton a chance to speed up

the fact-finding process.

Though Mr. Hyde understandably denied it, he seemed to realize that the political landscape had changed as a result of Democratic gains in the election on Tuesday. The public clearly wants the impeachment deliberations to be wrapped up in an efficient fashion. Moreover, with a majority of only 12 seats in the next Congress, the Republicans may not be able to muster the votes to pass an impeachment reso-lution in 1999. As for the current Congress, some Republican moderates do not want the first order of business after the election to be a vote on re-

moval of the president. But the constitutional process has to be reckoned with, as does the need, as a matter of the rule of law, for Mr. Clinton to receive a formal rebuke for his recklessness and lying. For that reason, Mr. Hyde's course is a sound way to achieve these goals through a process that meets Mr. Clinton's standard of being "constitutional, fair and expeditious." It will move things along to hear first from Mr. Starr and to let Democrats critical of his prosecutorial methods and the interpretation he has applied to the evi-

dence have a chance to question him. One of the most important things that both Democrats and Republicans need to ask the independent counsel, of course, is whether he has any additional evidence of possibly impeachable offenses by the president. These questions need to range not simply through the Monica Lewinsky matter but through other abuses investigated by Mr. Starr, including Whitewater, the alleged misuse of FBI files and the dismissal of the White House travel office. Mr. Hyde cannot allow Mr. Start to be coy about these questions. If Mr. Starr has anything, he must deliver on Nov. 19.

We are not prepared to accept the idea at this point that Mr. Starr must be the only witness called before the Judiciary Committee. But once he testifies, the committee can make an informed decision, in public view, as to whether more witnesses are needed. As for the questions sent by Mr. Hyde to the White House, it may be in Mr. Clinton's interest to answer some of them to expedite the process. Some he will dodge for obvious legal reasons, including the one asking him to "admit or deny that you gave false testi-mony under oath" in the Paula Jones

Mr. Hyde continues to insist that the constitution leaves no room for a censure or other action short of impeachment. He ignores the fact that the impeachment process is a legislative and political step rather than a judicial and legal one. The House can set the rules. It can censure Mr. Clinton if it wants and offer the president demanding terms for such a censure. In the election, the public signaled that it is ready for such an approach. We believe that barring new evidence of other wrongdoing by Mr. Clinton, Mr. Hyde will come around to guiding the Judiciary

Committee in that direction. -THE NEW YORK TIMES.

What the Right Should Learn From the Election

WASHINGTON — In the wake of their midterm triumph, the permanent cam-

paigners in the White House must be thinking: Will nobody rid us of this troublesome 22d Amendment? Why should the superpopular Bill Clinton be denied the chance to run for a third term?

That was some shellacking the Republicans took this week. Let us count the lessons:

1. Not all politics is local. This was an election national- core voters of both parties as well

By Jeff Jacoby

B OSTON — Under way in Buenos Aires is a giant international conference on global

warming, a follow-up to last December's United Nations-sponsored confab in Kyoto, Japan. Delegates to the meeting aim to put

teeth into the treaty that came out of Kyoto,

which calls for the world's leading countries to

sharply reduce their use of energy over the next

decade and a half. If implemented, the treaty

would force the most productive societies on

earth - the ones that have led the way in

making human life comfortable, safe, and

prosperous — to slow their economic growth and degrade their standard of living.

The organizers of the Buenos Aires con-

ference take it for granted, of course, that

global warming is real. The "consensus" among scientists, it is said, is that the planet's

temperature is rising, the cause of the rise is the

use of fossil fuels, and disastrous climate

changes are looming unless drastic changes are

made. The media likewise tend to take it as a

given that the experts are in accord on global

warming. So do many politicians.

So if the scientists are all in agreement, who

"There is no convincing scientific evidence

that human release of carbon dioxide, methane,

or other greenhouse gases is causing (or will in

the foreseeable future cause) catastrophic heating of the Earth's atmosphere and disruption of the Earth's climate. Moreover, there is sub-

stantial scientific evidence that increases in

amospheric carbon dioxide produce many

beneficial effects upon the natural plant and

animal environments of the Earth."

said this?

By William Safire ized by the impeachment Issue, no matter what exit pollsters

report. Despite hand-wringing predictions of rampant apathy and turnoff, midtern turnout was 38 percent of the voting-age public. That is as high as the controversial Agnew-driven campaign of 1970.

There is no blinking away the fact that this was a referendum on Clinton conduct. This year,

The 'Chicken Little' Mindset

as swing voters were motivated by the fear or hope of removing the president. The difference in most close races that Democrats

won was sympathy for Mr. Clin-

ton. Which means: 2. The majority of Americans who care enough to vote do not believe that lying under oath about sexual matters - by itself - justifies removing this president from office. The minority can grumble about how the

Clinton example undermines the judicial system, or argue that good times should not justify bad acts, but the majority rules. Which means:

called to account, Congress and the independent counsel must come up with significant new evidence of a pattern of abuse of power. The unwritten rule at Instice is that no indictments should be brought before an election, a custom Kenneth Starr followed. If he has other cases or criminal information that will reveal abuse of power or tampering with witnesses, this mouth is the time to indict.

Swing voters are evidently

voters' condoning Mr. Clinton's conduct with a subordinated tot-tut is the practical end of sexual harassment law as we know it. Paradoxically, nobody will have done more than Bill Clinton for the

macho predator. 6. Idealism fives, The Democratic victory that did my heart good was the squeaker won by Senator Russell Feingold in Wisconsin That new Don Quixote demonstrated how campaign finance reformer could win by running against

soft money.

Mr. Feingold's example gave new life to fund-raising reform, which should be handled retrospectively though investigation of the Asian connection and prospectively through legislation next year. His Republican partner on this issue, Senator John McCain — with his blowout vic-tory in Arizona — now becomes the dark horse to challenge the

front-runner, Mr. Bush. Finally, 7. The pendulum of politics swings faster than ever. Remember how Mr. Clinton soared in '93, collapsed in '94, came back in '96, crashellais summer, came back this fall? Do you really think that pattern

will fail to repeat next spring? Hence, loathed Melancholy, cheer up, droopy right-wingers. Regroup around new leaders, challenge the president to veto your tax cuts, and watch your heads --- here comes that peadulum back again The New York Times."

Herald Eribune

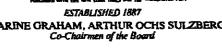
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The carping of an oil-industry flack? The mutterings of fringe anti-environmentalists? No. It is a petition signed by nearly 17,000 U.S. scientists, half of whom are trained in the fields of physics, geophysics, climate science, meteorology, oceanography, chemistry, biology, or biochemistry. The statement was circulated by the Oregon Institute of Science and Medicine. An abstract -- written for scientists but comprehensible by laymen — concludes that there is no basis for believing (1) that atmospheric CO2 is causing a dangerous climb in global temperatures, (2) that greater con-centrations of CO2 would be harmful, or (3)

that human activity leads to global warming.

The cover letter accompanying the petition was written by Frederick Seitz, a past president of

the National Academy of Sciences. (The documents are available on-line at www.oism.org/ pproiect.) A scientific "consensus" on global varming, it turns out, does not exist.

The Oregon Institute petition is no anomaly. More than 100 climate scientists have endorsed the Leipzig Declaration, which describes the Kyoto treaty as "dangerously simplistic, quite ineffective, and economically destructive." The endorsers include such prominent scholars as David Aubrey of the Woods Hole Oceano-graphic Institute; Larry Brace of NASA's Goddard Space Flight Center; the meteorologist Austin Hogan, who co-edits the journal Atmospheric Research; Richard Lindzen, the Sloane Professor of Meteorology at the Massachusetts Institute of Technology; and Patrick Michaels, a University of Virginia professor and past president of the American Association of State Climatologists.

"The dire predictions of a future warming have not been validated by the historic climate record," the Leipzig Declaration says bluntly. 'In fact, most climate specialists now agree that actual observations from both weather satellites and balloon-borne radiosondes show no current warming whatsoever - in direct contradiction to computer model results." The declaration is posted at the Web site of the Science & Environmental Policy Project,

www.sepp.org.

Even if President Bill Clinton does sign the Kyoto treaty, there is no chance the Senate will ratify it. And without U.S. participation, any plan to curtail CO2 emissions is doomed -- as it ought to be.

Nevertheless, it is important to explode the myth that most scientists are worried about global warming. Politicians shouldn't be permitted to hijack science in pursuit of power.

Environmentalists and journalists with an

anti-business itch to scratch should be crossexamined whenever they claim there is only one side to an issue of public policy.

We've been down this "consensus" road before. Remember when the Chicken Littles were warning that the Earth was getting colder? "The evidence in support of predictions [of global cooling] has now begun to accumulate so massively," Newsweek claimed in 1975, "that meteorologists are

were wrong then. They're wrong now. The Boston Globe.

hard-pressed to keep up with it." Except that

there was no global cooling. The alarmists

3. If the president is to be

The House Judiciary Committee will proceed in an orderly way, breaking down pre-vious stonewalling, but it mustpresent new evidence of wrongdoing beyond Monica.

4. The religious right would be wise to let economic conservatives take the Republican wheel. The statehouse victories of the Bush Boys in Texas and Florida and George Pataki in New York suggest that tax cuts and attention to local schools butter more political parsnips than an aggressive assertion of traditional values.

not troubled by swingers. There's a respected place for moralists and religionists in the Republican vehicle, but if races in 2000 are to be won, social conservatives cannot be in the driver's seat.

5. The flip side of women

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1898: Who's on Stage LONDON - The British ar-

istocracy is threatened with a scandal which is causing some emotion. For some weeks the name of a peer who is about to take to the stage has been whispered in certain circles. It is now certain that the rumors refer to the Duke of Manchester. ULVERSTON [England] His grace seems to have been impelled to take this course as much by taste and desire, as by a wish to supplement the deplorable state of his revenues.

1923: Tange to Blame

interest in her, as a result of which she was drugged and robbed of her valuable rings. Dancing played a large part in the process, the two accomplices being "professors" of shimmy

1948: Can-Can Strike

Orchestra leader Fred Pilkington is on a sit-down strike against the can-can dance. Each night the girls in the musical comedy "The Earl and the Girl" come frisking out on stage with their skirts high above their black stockings and PARIS — "I have made use acquaintance of a young American who is a delightful dancer. sits down. He is a lay preacher in Ulverston. Bob Bowker, the producer of the show, said the sit-down is a compromise." lay de Farago appeal to his secretary Baron Nemeth. The subject being Miss Doris Kemp.
The two foreigners had taken goes on he sits down.

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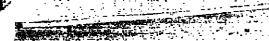
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ART

Ancient China's Fascination With Treasures of Its Past

By Souren Melikian International Herald Tribine

ARIS - To be let loose in the Treasure House of China, one of the two oldest cultures of the world with a continuous historically documented past (the other is Iran), is a perilous privilege. The thought must have crossed the minds of the organizers of "Tresors du Musee National, Taipei," the mammoth exhibition of art treasures from the Chinese imperial collection at the Grand Palais until Jan. 25, as they wondered what kind of a show this was to be.

Eventually, they opted for three exhibitions in one: precious objects from Ancient China: painting and calli-graphy, and later objets d'art from the 11th to the 18th century. As an af-terthought, they threw in a subtitle, "Imperial Memory," and that is ac-tually the theme that grips the visitor. For the first time, the Western public

is given some idea of the fascination with its own past that already possessed the Chinese world when the first records of its history were written down. Forget the Italian Renaissance and its digging for antiquities. Emperor Wudi (A.D. 140-187) of the Han dynasty was already at it 1,200 years earlier.

What Wudi wanted, we read in the catalogue, in a fascinating survey of imperial collecting by Chang Lin-Sheng. deputy director of the National Palace Museum, was bronze vessels from the time of Duke Huan, who had ruled the state of Qi in the seventh century B.C. An early source states that the bronzes came out of tombs and the collectoremperor turned to literati to authenticate the vessels, of which he had many.

Awareness that some irreparable break in Chinese culture had taken place at an early time haunted the imperial collectors. Pierre Baptiste in his essay on "objets d'art at court" cites this remark

ancient times these objects were used by man. What did he do with them? Today, we have no way of knowing."

He may have been inspired by the sight of the earliest jade objects from China, as enigmatic today as they were then even if we now associate them with a specific site, that of Liangzhu, covering a 1,000-year span from 3000 to 2000 B.C. The show opens with some large polished disks with a central opening. They fascinated Emperor Qianlong (1735-1796), who could not resist leaving his imprint on his treasured pos-

sessions. On one large disk, vertical columns of ideograms, delicately incised on either side of the opening, reproduce poems and two roundels are carved in sunken relief with characters imitating ancient scripts. The jade disks continued in use for some 2,000 years. At some point, staggered rows of small semi-spherical knobs appeared, each knot engraved with fine motifs. Allusions to these occur in very early poetry, but shed no light on their meaning.

Tall jade vessels of square section with a tubular cavity inside called cong (pronounced "tsong") are even more intriguing. They were seen as madly desirable by imperial collectors down to the last century, when a fantastic specimen with rhythmical horizontal bands carved in low relief in dark green jade entered the imperial collection.

So enamored were the Chinese literati of these early objects that their passion triggered a revivalist strain that took off under the Song (960-1278), in the 11th century. In the 13th century, celadon porcelain imitations, of which one is on view here, were being made in the Longquan kilns. The shape is simplified. The strictly geometric pattern omits the highly stylized masks, lightly incised on the early jade pieces.

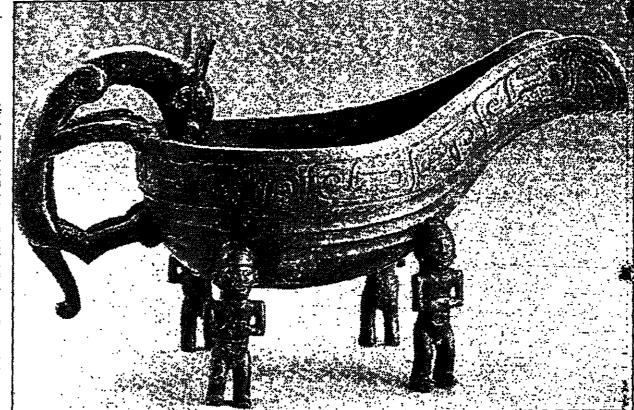
By the 15th or 16th century, attempts were made to replicate the third to

by Emperor Kangxi (1662-1722): "In second millennium B.C. jade originals. Small details, the harsher engraving of the stylized masks, give away their later date. Qianlong owned one of those. He had it fitted with a cloisonné, openwork cover with five circular openings to allow flowers to go through. On the elegant sandalwood pedestal an inscription hails it as a "Han Period Vase" — the emperor apparently believed it was really made between 206 B.C. and A.D. 221.

Bronzes were sought after just as avidly. Huei Chang writes that collect-ing the ancient ritual vessels was linked with the anxious scrutiny of history, when the empire seemed threatened. The first scientific catalogue of excavated bronzes, as modern art historians understand the notion, was printed in 1092. It lists 224 items both in bronze and jade with reproductions printed in woodcut form. Emperor Huizong (circa 1101-1125) is credited with having owned some 500 vessels. Not surprisingly, the earliest dated imitation of a Shang broaze of the 12th century B.C., was made during his reign in A.D. 1116.

T is in the show, where it can be

compared with one of the original type it attempts to emulate — an admirable tripod vessel with raised arched handles. The two are similar and yet worlds apart. The imitator missed the flawless complexity, the tightness, the rhythm of the pattern, the subtle curvature of the profile. Half a dozen of these early bronzes from the imperial collection in Taipei would, by themselves, make this show a must. A wine ewer of the Western Zhou period, probably of the 11th or 10th century B.C., easily overlooked because of the bad lighting remains the little and the same of the bad lighting remains the little and the same of the bad lighting remains the little and the same of the bad lighting remains the little and the same of the bad lighting remains a same of the bad lighting remains and the same of the bad lighting remains a same of the bad lighting the same of the bad lighting remains and the same of the bad lighting the same of lighting, remains unique in the history of Chinese bronze-making with its cover in the form of a coiled dragon. Three styl-ized masks of a mythical being chiseled on the sides give it a haunting beauty. A shallow bowl on a low ring foot, en-



Bronze pouring vessel, circa 10th to 9th century B.C., in the Taipei show at the Grand Palais in Paris.

graved inside with a bold dragon in the 12th or early 11th century, is famous in

the history of Chinese bronzes. Interestingly, the radical aesthetic break reflected in the drastic renewal of shapes, patterns and style that affected Chinese art around the sixth or fifth century B.C., did not dampen the col-lecting enthusiasm of Qianlong. The em-peror owned a cylindrical measure with a long inscription to the name of Wan Man, a usurper king who ruled from A.D. 9 to 28. The august collector must have loved the piece. In a scroll painted by Yao Wenhan in the 1740s or the early 1750s, he is seen scated with his treasured possessions, among which is the measure set on a small table by itself.

Regrettably, the objects of the later periods, in particular the few Song ceramics, do not live up to these high standards. None of the great specimens of dingvao, these admirable wares decorated on an ivory slip with engraved floral patterns, nor the best Northern celadon vessels of the 12th century, nor the finest Song jumyao with purple splashes on lavender blue came to Paris.

The same is true of paintings and calligraphies that, with rare exceptions, hardly do justice to the Taipei collection. Sadly those few that do are so dimly lighted that it is hard to find constort in the contemplation of the sublime art of Song China.

The weighty catalogue is like the

equate There is no index, not even a glossary, despite the frequent use of Chinese words in Latin script. A listing of the works is supplied — in Chinese. The main inscriptions engraved on Qiallong's archaic objects are reproduced. in Chinese only. In the entries, all trais-lated from Chinese, some sentences are incomprehensible, others in ungramma-ical French. A few spell out historical inaccuracies. (No, the Safavid dynasty did not "rule over the empire of \$ Tunnids," and Handustan does not in refer to present day Northern India. The book, full of unpublished information, should not be missed. Neither, also can it be consulted without caution.

Foundations for Japanese Life

By Naomi Pollock

▼OKYO — Like their counterparts in the West, most married couples in Japan long to have a home of their own. Yet, despite the country's overall affluence and growing internationalization, official indicate that some 15 percent of couples nationwide are sticking to the traditional custom of living with their parents or in-laws under one roof.

In the process, a number of architects in Japan are finding work designing multigeneration houses that enable two or three generations to live close enough that the miso soup won't get cold but far enough apart to maintain some autonomy for everybody.

Among architects it is a well-known fact that houses are the most difficult buildings to design because their rooms must perform several functions and satisfy very specific client needs. And the multigeneration house, which must satisty multiple wish lists, can be even

more challenging.

Because of the complex demands, most families have no choice but to build a new home, either on an undeveloped lot or in place of an existing house which will be tom down - a common practice in Japan's major cities where construction costs are relatively low compared to land prices. But thanks to the general disregard for context in Japan, where few buildings are built to last more than a few decades, most sites are treated as blank slates and are limited only by the site foot print and building code restrictions. Throw it all toether and the resulting homes are frequently very innovative.

Effectively they asked me to combine two private residences in one explained the architect Jun Aoki, who recently designed a new house in suburban Tokyo for the internist Yasuhiro Ochiai and his mother.

Aoki achieved his goal with the creative use of stairs and corridors that enabled him to nestle the mother's second-floor home within her son's without any need for shared spaces.

Aoki even went so far as to provide separate though connected entrances for the two homes since the mother prefers to distance herself from her daughter-inlaw's active social life.

Yet even though they have no common rooms, the mother's unit will overlook, and thereby maintain a visual connection with, her children and grandchildren's plant-filled sunroom when the house is completed next year.

Another by-product of Aoki's scheme is that it allows major rooms in both homes to enjoy the site's river views while editing out the busy street in front of the house. But equally important was a flexible layout that will enable the two units to be reshuffled when

the family constellation changes. Indeed the two homes can be easily iomed or his mother's home can be recast as a small clinic where Ochiai could see patients practically in the comfort of his own home. Flexible space was also one of the driving forces behind the house that architect Makoto Motokura

designed for the Chikada family. Although Reiko Chikada had lived with her in-laws for all her married life, when it came time to rebuild the family's 40-year-old homestead in Sugamo, a quiet residential neighborhood in northem Tokyo, no one gave serious thought to parting ways. Instead they decided to tear down the old home and replace it with a new one that could easily accommodate family change but also

provide more privacy for everyone. Completed in 1993, the three-story house is divided vertically into two independent dwellings linked by a shared entry foyer at street level and terraces at each floor above. A small garden at the back is like a natural extension to the senior Chikada's ground-floor living room but also serves as a buffer between the two homes.

Although the two households can go for days without direct contact, the precise placement of walls and windows provides for plenty of visual contact. By glancing out of her second floor livingroom's picture window, Reiko can see her father-in-law working in the

Should her in-laws' physical needs change in the future, the two houses can easily be reconfigured to accommodate wheelchairs or walkers. And by incorporating connecting terraces at each level, the two units can be combined and/ or sliced horizontally by floor to create a barrier-free apartment at street level.

While multigeneration living may seem anathema to Westerners, extended families in Japan have worked the fields and lived side by side for centuries. This custom declined greatly after World War II, however, as agriculture diminished and white-collared "salarymen" increased, resulting in a breakdown of the typical extended family, especially

in major cines. "In the past, the house or family was more important than the individual," Motokura said. But now families have a more independent vision of themselves vis-à-vis their families.

Nonetheless many are being drawn back into or are staying in the fold thanks to land prices in major cities, which remain exorbitantly high, making homeownership within the city limits out of reach for many.

For others, social concerns, such as the need to care for aging parents or the desire for built-in daycare as the number of working mothers rises, are behind their decision to live at home. By adapting the traditional living style Japanese archi-13 Eritrea's capital tects are allowing many modern families 19 Colosseo site have their cake and eat it too. 20 Word with rush

Naomi Pollock is an architect who 21 Rock's Mitter writes about design in Japan.

From Garage to Gallery: The Evolution of Chelsea

By Michael Kimmelman New York Times Service

EW YORK - The other day, an artist who will remain nameless for obvious reasons told me she was worried about her forthcoming show, not because the work was causing her more than the usual anxiety but because her gallery happens not to be in Chelsea.

meant. At last count, around 60 galleries had colonized the area roughly between 17th Street and 27th Street on the far West Side of Manhattan. Dealers there are ecstatic.

I spent a couple of days recently making the rounds of the neighborhood. I liked Chelsea very much when it first started to develop as the un-SoHo, but now, though I still want to like it, I'm not so sure.

Why? It's not the art. The art is simply what it is, location notwithstanding, and this time around, for instance, I got a kick out of Nayland Blake's gingerbread house at Matthew Marks and James Welling's photographs at Leslie Tonkonow. There were also Sue Williams's new paintings at 303 Gallery to see, and Louise Fishman's at Cheim & Reid.

It was just three years ago that only a

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handful of galleries existed among Chelsea's taxi garages. When you went to see them, or to see the Dia Center for the Arts, which was already there and a kind of magnet to the area, you were probably making a minor pilgrimage.

at art, as was no longer the case in to a place that seemed to evoke some- front on 18th Street. of SoHo's former ch cause it was largely industrial.

SoHo's virtue was that its growth was organic and bottom up. If was an architecture of airy cast-iron lofts. Artists moved in because the spaces were cheap and practical. Then galleries followed. The archetypal gallery was Leo Castelli's, at 420 West Broadway, which resembled an artist's loft. In SoHo, dealers were mostly in plain sight, and the ambient aim, even if it increasingly wasn't achieved, was to be informal and accessible.

In Chelsea the evolution has roughly been reversed. It is an architecture of storage facilities and garages, less easily adaptable to art. There are artist studios in the area, but it is not, nor was it ever, where many artists lived. The new galleries arrived pretty much ex nihilo, the first ones mostly belonging to high-enders like Manthew as a center for the business of art.

Marks, Barbara Gladstone, Paula Cooper and Metro Pictures.

Marks's gallery on 22d Street, in a-converted single-story garage with skylights, turned out to be a space and handsome place with a big window on This was part of its attraction: the street that makes the art inside. People went there specifically to look visible from outside, a friendly arthe street that makes the art inside rangement roughly mimicked by the Solito, and moreover they were going new Postmasters, with a glass store-

turn inward. The spaces feel antiseptic, awkward. They tend to speak of money. Dealers too often out to be out of sight, with offices on a separate floor. Sometimes the architecture is grand --Paula Cooper's gallery is stunning to look at - but so grand that the ar-

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chitecture can overwhelm the art. . Andrea Rosen's gallery on 24th Street exemplifies the problem. It is like a mausoleum, tall and windowless, with a hallway to an office in the back, the office blocked from view by a giant file cabinet so that, like a child anyone with a question about what's on view must stand on tiptoes to talk tothe 20-somethings who work there.

Solio is passé. Chelsea, having be-come chic, has already been diluted by a number of SoHo's schlock galleries. It is now closer in character to 57th Street

BOOKS

make his compact with the tenced to death by those fight-

THE WHEREABOUTS OF ENEAS McNULTY

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By Sebastian Barry. 308 pages. \$23.95. Viking. Reviewed by Susan Dooley

IKE his classical name-Lasake, Eneas McNulty is doomed to wander. He's 16 the first time he leaves Ireland, set roaming by the shame he feels when he hears tales of a mysterious scandal involving his mother. He will decides, fighting the war to

That's for English Eneas is determined to go. He agrees that "with the local trouble a-flare in Dublin, with your man Pearse and the rest all shot and the public everywhere it was said in fer- for generations to come. ment about it, it was best . . . for a sixteen-year-old boy to Eneas on the path of exile, he

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privacy and ease of the Protestant counties." Eneas never makes it to France and the trenches of

World War I. He does his service on the deck of a rusty freighter picking up goods in Galveston, Texas, learning for the first time how even in the "lean-to of a world that a boat is," wandering men are driven to create the semblance of home.

At war's end, Eneas rerecover his pride in France, he turns to Sligo. Like hundreds of others, he finds himself out of work and, desperate, he joins the Royal Uister Conboys," says his father, but stabulary. He is too much the rural lad, apolitical and innocent, to realize what the choice will cost him. He is now the enemy in the Troubles that will trample Ireland

Once Sebastian Barry puts tells a powerful tale of longing, loss and redemption. It is a moral tale of the ways in which wars --- those declared and those fought underground - blur our definition of good and evil; when killing is the job at hand, it is killers

denied him, and "the war . . not so much over as stunned back into history," Eneas makes his way to Nigeria and a job digging a canal. There he is given an unlikely re-

wanted to marry.

When his mind can't make

muscles can. Hard, physical

labor gives rhythm and sense

Greenland. When war comes

again, Eneas fights in France,

where all sense is knocked out

of him on the beach at

With home once again

placement for all he has lost Harcourt, a black man, himself on the wrong side of revolution, becomes Eneas's companion and his eventual redemption. There is a lovely image near the end of the novel, where Eneas, remembering his youth, recalls, "Sam Dickins

Dunkirk.

Terrified and bewildered at a club foot covered in that how a simple job could exact mighty shoe made for him by so terrible a fate. Eneas is the cobbler ... but he knows his family, his place in the swings it through the steps. world and the woman he three steps, he's swivelling on his normal boot, and swinging a pattern of his days, his that club foot. You can see to his existence. For 10 years he works on a fishing boat following the herring off

the joy of it, the prettiness of it. he says, and there's many, place. He's a dixie dancer!" Eneas "believes he understands the weight of the thing that was given amiss to him . . . discovered the weight of it, un-

where other men would take foot, and throwing the other." And what else is wisdom but learning the weight of the world and finding a way to

some step? Susan Dooley, a writer living in Maine, wrote this for dancing with his girlfriend of The Washington Post,

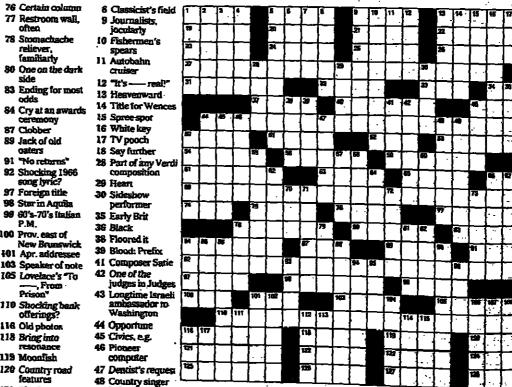
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26 Not at sea British Merchant Navy in the ing for Ireland's freedom. Deegan And Sam Dickins has 27 Break a tie in a shocking way? 31 Came after 32 1995 earthq forced from home, away from the weight of that shoe and 33 Occup Where other men are doing 34 Newsorg 37 Kind of pit 40 Not adhere him count the beats, you can 43 Land of poetry see Mary Deegan laughing for 44 Shocking 1980 Oh, Jesus, and all night he's 50 Plant shoot: Var. dancing with Mary Deegan, 51 Rig too busy dancing for marrying 52 Tom Sawyer's many a girl would take her 53 Trump's line 54 Bygone Dodge

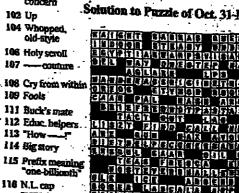
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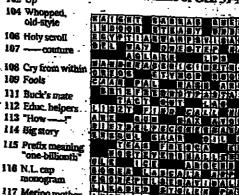
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TOKYO - Mitsubishi Motors Corp. announced a global restructuring drive Friday that will include major job cuts in the United States and Thailand, factory closures in Japan and a steep reduction

in production.
The fourth-biggest carmaker in Japan announced the restructuring along with a first-half loss, its first since listing shares on the Tokyo Stock Exchange in 1988. Mitsubishi will lay off 1,000 workers at subsidiaries in Illinois and California which now employ 5,100 workers, as well as 1,200 of its 4,000 employees in Thailand, said Katsuhiko Kawasoe, the president of the company. It also will close its Maruko truck transmission fac-

tory near Tokyo. The automaker also will reduce the number of models it produces by 40

The cuts come after the company

million) before taxes in the six months to Sept. 30. That reverses a profit of 17.5 billion yen a year ago. The figures are for the parent company only, and do not include subsidiaries or gains or losses

Revenue in the period fell to 1.11 trillion yen from 1.32 trillion yen.

Mitsubishi, which analysts say relies on Japan and the rest of Asia for the majority of its sales, has watched sales plunge as the region lingers in recession. Worse, Mitsubishi's market share in the United States has fallen from a peak of 1.5 percent in 1994 to 1.2 percent now as vehicles such as its midsized Galant sedan lose out to Toyota Motor Corp.'s Camry, the best-selling car in the United

States last year. "I can't understand how a company can keep on bleeding so much money," said Peter Boardman, an auto analyst at

reported a loss of 18.3 billion yen (\$156 Warburg Dillon Read in Tokyo. "They million) before taxes in the six months need some drastic changes." announces results Tuesday, analysts said Mitsubishi offered too many modneed some drastic changes."

Mitsubishi's shares closed 5 yea

lower at 250 on the Tokyo Stock Exchange. Shares have fallen 30 percent

Japan's government doubts impact of stimulus program. Page 15.

since April 1, the start of Japan's fi-

The company said it expected to lose another 9 billion yen in the year through

In Japan, Mitsubishi's market share has fallen to 10.1 percent now from a peak of 11.9 percent in 1995, government figures show. Analysts blamed the company's failure to meet growing demand for sport-utility vehicles and wagons.

Like Nissan Motor Co., which also expects to report a half-year loss when it

els that car buyers did not want.

Whereas Honda Motor Co. maintains healthy profit margins by relying on one or two high-volume models like the midsized Accord sedan and the Civic, a compact, Mitsubishi's vast line-up of vehicles - including heavy-duty trucks, passenger cars and minivehicles - keeps its costs high. A minivehicle has less than half the engine power of an

average compact car. Mitsubishi and Nissan are not alone in their struggle to post profits. Many of Japan's once-vaunted manufacturers, battered by recession at home and financial crises across Asia, posted losses for the six months to Sept. 30.

The list of casualties ranges from Toshiba Corp. to Nippon Steel Corp., the very same companies that helped build Japan into the world's second-

biggest economy from the ruins of World War II.

Their reversal of fortune lays bare the shortcomings of a management style that was long the envy of Western companies with its focus on building market share and rewarding corporate loyalty.

"Japanese corporate problems have stemmed from a cultural belief in the longer-term horizon," said Tim Julien, a fund manager at Mercantile Mutual Investments. "Somehow, profitability got lost in the formula for success." As some 2,000 companies prepare to

report earnings over the next three weeks, the early profit numbers suggest that the year through March may be the worst since the early 1970s, when surging oil prices threw Japan into recession.

How Japan copes with these losses will help determine whether Asian economies can sustain an economic recovery that has helped bolster their cur-

rencies and lower interest rates in recent

"The Japanese economy and the world economy are in commotion right now. They're pressing in on us," said Akira Chihaya, president of Nippon

Still, many Japanese manufacturers are still renowned for their world-beating products and technological prowess.

Canon Inc.'s exports of laser printers. copiers and cameras put it on course for a third straight year of record earnings.

Japan also dominates the world market for video games, thanks to Sony Corp.'s PlayStation and Nintendo Co.'s Nitt-

tendo 64 and GameBoy machines. But the grim earnings results and equally solemn economic statistics are further indications Japan will not grow much before 2000 and that conditions may get tougher before they improve. (Bloomberg, AP)

Routine Business in Colombia: Threats and Violence

By Diana Jean Schemo New York Times Service

BOGOTA - The note was scrawled on a scrap of paper and thrust at a truck driver for a U.S. oil company stopped on a rebel-held highway to the eastern plains of Colombia recently.

"Please do us the favor of coming to talk to us, so we can reach agreements allowing you to work without problems," the note said.

The company passed the extortion demand. Executives at the multinational concern, who asked that the company not be identified, said they did not give in to insurgents, but ordered the company's drivers to skirt the area by taking other roads.

The company was able to alter its routes and still conduct business, said Enrique Urrea, head of a committee of security chiefs for U.S. multinationals operating in Colombia. Not every-

body can," he added. A Colombian soft drink manufacturer, defying similar demands from the insurgents, saw 54 of its trucks burned. In September, the rebels kidnapped three of the company's drivers and executed one to put pressure on the company. "If they give up a road, they lose a market," Mr. Urrea said.

Although the new government of Andres Pastrana is seeking peace talks with the country's three rebet move ments in an effort to end three decades of civil war, Colombia remains one of the riskiest places in the world to do business. Threats to foreigners come from random street crimes, kidnappers, extortion, vandalism and sudden roadblocks thrown up by rebel factions.vy-

Half of all the reported kidnappings in the world happen in Colombia, 806 occurred in the first six months of this year and 1,693 last year, according to the Presidential Anti-Kidnapping Office. In 1996, more than 26,600 people. were murdered in Colombia.

While the central government holds Bogota and the larger cities, the countryside is fragmenting into a collection of fiefdoms controlled by rebels or by right-wing paramilitaries that terrorize

Ranking Corruption

The 10 least and 10 most corrupt countries, according to a 1998 survey of executives. A score of 10 represents a corruption-free country.

FANK

1	Denmark	10.0
2	Finland	9.6
3	Sweden	9.5
4	New Zealand	9.4
5	Iceland	9.3
5 6 7	Canada	9.2
	Singapore	9.1
8	Netherlands	9.0
8	Norway	9.0
10	Switzenand	8.9
17	United States	75
76	Russia	2.4
-77	Ecuador	2.3
77	Venezuela	2.3
- 🗱	**************************************	22
80	Indonesia	2.0
81	Nigeria	1.9
81	Tanzania	1.9
-83	Hondures	1.7
84	Paraguay	1.5
.85	Cameroon	1.4

peasants, often in collusion with army officers and the police. Foreign businesses are particularly vulnerable to kidnappings and extortion and kickback demands from the rebels. Security costs, which average 4 percent of a company's operating costs in the rest of the developing world, can run up to 10 percent here, security experts and company executives say.

Source: Transparency International

Despite the limitations and risks, a variety of U.S. companies have opened offices and factories in Colombia, particularly since the country acted in the early 1990s to lower trade barriers and otherwise open the economy to foreign investment. They include Occidental Petroleum Corp., Procter & Gamble Co., Colgate-Palmolive Co., Kellogg

Co., Du Pont Co. and Citigroup. Some businesses have left, but those that stay in Colombia have learned to protect their interests. To discourage kidnappings, they employ Colombian executives and use local contractors. They hire such multinational security services as Control Risks Group and Defense Systems Ltd., both based in London; Ackerman Security, and the Kroli-O'Gara Co., in New York, to tailor security packages for their execu-

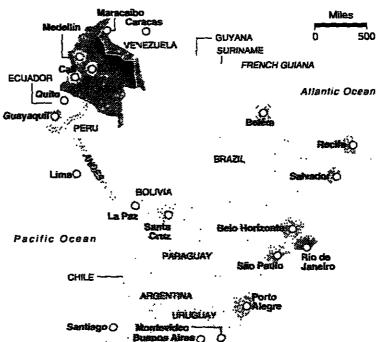
tives, installations and trade secrets. Insurance companies, sometimes working directly with protection services, often demand strict security precautions from U.S. executives in Colombia, said Joseph Finnin, head of the American Chamber of Commerce here. One insisted that not only an oil company president but also his wife use bodyguards and armored cars.

The security services also analyze the risks of doing business with a given Colombian company, perusing court records for potential legal or tax problems. Earlier this fall, Kroll-O'Gara bought a factory for making armored cars in Colombia, said Bruce Goslin, a managing director of the company's office in Miami.

Because of security worries, foreigners largely confine themselves to a small, safe piece of this grimy, bustling city. They take apartments on the upper floors instead of houses, and only in the priciest neighborhoods. They vary routes, switch vehicles and vet maids, nannies and gardeners thoroughly. And they fly, rather than drive, if they must

Oil companies pay a special war tax to the government, and they contract with the Defense Ministry for special army platoons to protect oil exploration and production sites or dangerous highways. As threats to their business escalate, foreign companies are sharing security information and tightening their lines of communication with

See COLOMBIA, Page 15





amilitary troops in the countryside have come to be seen as almost an equal threat to Colombia's stability as the rebels they are fighting.

Paying the Price

Colombia is one of the riskiest places in the world to do business. Here is an evaluation of South America by Kroll-O'Gara, a security services company.

HIGH-RISK AREAS

EXTREME: War-like situation: little or no effective protection VERY HIGH: Political environmen

volatile, with frequent attacks HIGH: Daily threats, requiring

MEDIUM-RISK AREAS WW HIGH MEDIUM: Widespread organized crime; careful security

MEDIUM: Widespread street crime. above average health risks

Japan Sets A New Low With Rates

By Sheryl WuDunn New York Times Service

TOKYO - Japanese interest rates were already the lowest that any country had ever recorded in history, and they had seemed so minuscule that it would

be impossible for them to go lower. But they have: Interest rates are now dancing into negative territory. In other words, a depositor putting yen in the bank could in theory pay interest instead

of earning interest. Likewise, some people who bought Japanese government bills this week earned a negative interest rate. They are buying short-term bills for more money than they will be redeemable for in the future, meaning that they are paying for the privilege of holding bonds.

Economists say that this situation is pretty much unprecedented. Until recently, the historically lowest government bond interest rates had been in 1619 in Genoa, now Italy.

"We've basically never seen this be-fore," said William Campbell, a

strategist at J. P. Morgan in Tokyo.

"It's a mystery," said Jeffrey Young, an economist at Salomon Smith Ban in Tokyo. "It's symptomatic of radical

pessimism of the economy. It is a sign of pessimism because the only investments some investors want are government bonds, the safest ones in the country. It also means that there is so much yen around that some banks, most of them foreign, are willing to pay

someone to take it off their hands. In various countries, bank depositors have occasionally earned negative real interest rates, meaning that the interest rate they earned was less than the inflation rate. But this is different and much more rare: the nominal interest

rate is negative. This is an exceptional situation even in Japan, and the average citizen who

See YEN, Page 15

Double Trouble for U.S. Bond Buyers

NEW YORK - A new supply of U.S. Treasury bonds just as investors are beginning to lose hope that the Federal Reserve Board will cut interest rates combined to drive yields on the se-

critics sharply higher Friday. Le yield on the new benchmark 30-year bond, which was sold Thursday as part of the Treasury's quarterly refunding, rose to 5.38 percent Friday from the 5.30 percent at which it was sold. That is the highest yield on the benchmark security since Aug. 26. The price, which moves inversely to the yield, fell 1 6/32 point to close at 98 2/32.

basis points since touching a record low The Treasury sold \$38 billion of new

Cross Rates

Other Dollar Values

Argent, peec 0,0999
Special Control Co

| 100 | 117 | 1270 | 234 | 114 | 547 | 1375 | 1365 | 126 | 128 | 128 | 127 | 1270 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 |

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Bond yields have now climbed 69

Treasury bonds and notes this week, and few weeks ago that a credit squeeze the sales met with tepid demand. The could derail the economy. new government supply was competing with about \$3 billion in corporate debt issued Thursday. About \$5.6 billion more in corporate debt offerings are

planned for next week. "The demand wasn't there" for the new government issues, said Joel Kent. economist at Lehman Brothers Inc. In addition to the glut of new bonds, investor demand was dampened by comments on Thursday from Alan Greenspan, the chairman of the Federal

Mr. Greenspan said that investors and lenders appeared to be calming down after the fright thrown into them by global financial turmoil, suggesting that the central bank is less concerned than a

CURRENCY & INTEREST RATES

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Nov. 6 Libid-Libor Rates

Dollar D-Mark
1-month 5%-5% 3%-3%-3%-3%-6-month 5%-5% 3%-3%-3%-3%-1-peer 4%-5% 3%-3%-3%

Key Money Rates

0.50 0.19 0.60 0.65 0.67 0.86 0.50 0.60 0.65 0.67 0.88

While reassuring, the comments were interpreted on Wall Street to mean the Fed might see less need to cut interest rates again at its next policy meeting Nov. 17.

"When there's a question about the Fed's next step, buyers are a little more reluctant," said Closson Vaughan, a fund

manager at Columbia Partners LLC. Mr. Greenspan's remarks also sugsted that the bond market was less likely to see demand from international investors seeking a haven from financial turmoil elsewbere.

During the late summer and early fall, investors around the world rushed away from all but the safest securities and also

See MARKETS, Page 12

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INTERNATIONAL MANAGER

Olivetti's Chief Bets on a Bright Future

But Colaninno's Surprise Investment Raises Questions of Transparency

By Daniel Liefgreen Special to the Herald Tribune

MILAN -- Roberto Colaninno, the low-key Italian businessman credited with turning around the fortunes of the telecommunications group Olivetti SpA, is now gambling with his own money on the company's success.

Mr. Colaninno. Olivetti's chief executive, shocked markets and financial circles when he revealed Tuesday that an investment group he assembled in a Luxembourg company, Bell SA, had amassed the single largest shareholding in Olivetti by purchasing a stake of about 8 percent — worth about 1 trillion lire (\$608 million). The group plans to increase the stake to 10

Some observers questioned the transparency of the deal because the investment group did not disclose details of how they built up their stake. Analysts said they presumed Mr. Colaninno and his allies had been snapping up shares on the open market

since last summer. For more than two months, Olivetti stock had been surging on the Milan bourse on speculation that the company, with its broad shareholder base, was a potential takeover target. There was even talk of a bid by its German business ally. Mannesmann AG, which holds stake of about 2 percent in Olivetti and is its partner in the Italian cellular phone venture Omnitel Pronto

Italia SpA. Mannesmann applauded the transaction, saying that it expected its cooperation in the telephone business with Olivetti to continue to develop.

Italian newspapers quoted a Mannesmann spokesman as saying, "We appreciate the presence of the new shareholding group Bell in Olivetti's strated a strong commitment to Oliv-capital, and we will continue our co-etti's growth and was "the most im-



Roberto Colanimoo's investor group bought au 8 percent stake in Olivetti.

operation with Olivetti in a normal fashion.' Analysts say the secret "buy-in"

operation carried out by the 55-yearold manager is a new twist on the clubby Italian corporate scene. None of the traditional Italian corporate deal makers, such as the Milan merchant bank Mediobanca SpA, engineered the transaction. Mr. Colaninno, who invested his personal savings, was backed financially by a group of lowprofile northern Italian businessmen and a few banks.

"I can't remember any similar operation before in Italy," said Stefano Lustig, telecommunications analyst for the Milan investment bank Euromobiliare SpA. "This is a strong signal for shareholders. Colaninno obviously knows the company very well and this shows he has faith in it."

After the deal was announced, Mr. Colaninno said the investment demon-

portant recognition" of the turnaround at Olivetti, which only about two years ago was drowning in losses as a strug-

gling computer maker.
Mr. Colaninno was named chief executive in September 1996 by Carlo De Benedetti, the former chairman who sold his remaining Olivetti interest this year. He has moved quickly to shift Olivem's core business to the fast-growing telecommunications sector, selling off most of the computer and office-products activities.

Mr. Colaninno brought Olivetti back to profit and forged the alliance with Mannesmann that has mounted a strong challenge to Telecom Italia SpA, Italy's largest telecommunications company.

Mr. Lustig of Euromobiliare gives Mr. Colaniano high marks for his restructuring drive, but said the real challenge would come as the executive tried to demonstrate that "he is

capable of growing the businesses."

Overall, I view the operation as positive," said Oriana Cardani, an analyst the investment firm Rasfin in Milan. "But on the question of transparency, it did leave me a little per-

Gianfilippo Cuneo, a prominent Italian corporate consultant, said in an interview with the Milan daily Corriere della Sera that he viewed Mr. Colaninno's becoming the key shareholder in Olivetti as positive, but took a dimmer view of the "modality" of

'It would have been more correct to make a public declaration before the acquisition like, 'I intend to invest.' That way everyone would have had the same information."

Mr. Cupeo added that "at that point, everyone would have known that the chief executive of the company intended to become a major shareholder."

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Carmo Drug Giant? Rhone Talks Mr. Constitution (Market) A Brazilian (arth Marie Control of the Control of the

on-and-off affair. The French drug maker Rhone-Ponienc SA and Hoechst AG of Germany are again pondering a merger that would create one of the largest sellers of phar-

Rumors of a deal between the two companies have circulated for weeks. But news reports last week that the deal had ended apparently upset sev-aral executives involved. According

the talks, they are progressing. The stock-market reaction was mixed Friday. In Paris, Rhone closed inp 4 percent, at 266.80 francs (\$47.93), while in Frankfurt, Hoechst shares slipped to 74.40 Deutsche marks (\$44.67), down 30 pfennig

gers earlier this year. Just as many top drug makers are out to become lifesciences companies, with holdings in biotechnology, agriculture and phar-maceuticals, Rhone-Poulenc and

The merged company would have 2 14 percent share of the world's \$50 billion agribusiness market, according to analysts, making it a co-leader with Novartis AG. Rhone-Poulenc and Hoechst would also have \$13 billion in worldwide pharmaceutical sales, easily outpacing the American giants Johnson & Johnson and Bristol-Myers Squibb Co.

Mark Becker of J.P. Morgan Securities in London, said: "It is very important that the next deal that is announced be completed. After the mergers that failed this year, nobody

Friday, Nov. 6

Doily prices in local currencies.

Amsterdam

ABN-AMRO

High Low Class Proc.

Russia Agrees to Deal on Debt

Compiled by Our Staff From Disputches

ister Mikhail Kasyanov.

But bankers involved in the negotiations said they failed to agree on terms for restructuring the 281 billion rubles (\$18.1 billion) of A was the government's inabil-Treasury bills and bonds.

for the final three months of the crease in the money supply. That will by year's end add another 25.2 billion rubles to the money supply, which swelled to 185.3 billion rubles by Nov. 2 from 174.8 billion

group of Western banks struck a could help drive the inflation rate expensive." Mr. Kasyanov told deal Friday to restructure the coun- as high as 80 percent by year's end, try's frozen domestic debt into exacerbating its own budget probnubles without issuing new dollar lems in the process, analysts said bonds, said Deputy Finance Min-Government officials forecast the Government officials forecast the rubles will stay in rubles." inflation rate could rise as high as 70 percent by the beginning of 1999, compared with its earlier

target of 8 percent. ity to collect enough taxes to cover Also on Friday, the government its spending that led to its default banks. There was no confisent to Parliament a spending plan on ruble debt in mid-Angust, a of the deal from Moscow. move that left it unable to borrow year calling for a 20 percent in- money from foreign investors to make up the difference.

in the bank talks, there was also agreement to deal separately with ruble-dollar forward contracts written by Russian banks, Interfax rubles at the beginning of October. news agency quoted Mr. Kas-By pumping more money into a yanov as saying.

MOSCOW — Russia and a short of goods, the government in external debt, debt that is now "This means for us no increase RTR television in London, where he took part in the talks. "Foreign creditors who came to work in

> Mr. Kasyanov gave no details on the restructuring terms but Interfax quoted him as saving a new round of talks was expected after Nov. 16. No reaction or comment was yet available from the Western banks. There was no confirmation

The issue of including billions of dollars of forward contracts in the talks was introduced later by the Russian side and was opposed by Western banks.

The contracts were written by Russian banks so foreign operators could hedge themselves against a devaluation. (Rewers, Bloomberg)

bility and inflation-free growth, not

Interest rates in the 11 countries

adopting the euro are expected to

converge toward the 3.30 percent

levels of Germany and France by the

end of the year. With less than two

months to go, several countries with

higher rates, such as Italy, Spain and

Europe," he added.

bring them down.

Europe Helps Profit Surge At Unilever

Contribet 5: Our Seaf From Departure

LONDON - Unilever Group said Friday its third-quarter profit rose 37 percent as improved margins in Europe more than offset slowing growth in emerging markets.

The Anglo-Dutch consumer products company earned £1.135 billion (\$1.89 billion) before taxes in the quarter, up from £831 million a year ago. Sales rose to £7.41 billion from £7.35 billion. The results were lifted by a one-time gain of £260 million for the sale of a U.S. seedbreeding plant to Monsanto Co.

Unilever shares surged 4 percent in London, to 609 pence (\$10.12), and rose 2 percent in Amsterdam, to 142.20 guilders (\$76.10).

Profit in Europe, where Unilever made 45 percent of its sales, rose nearly 3 percent as higher margins more than offset a fall in sales.

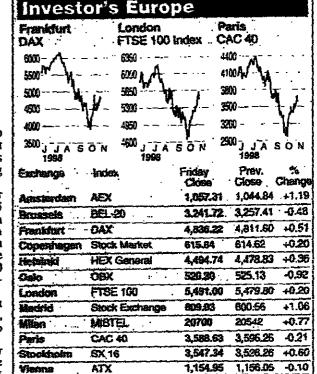
In Southeast Asia, strong growth in India eclipsed problems elsewhere to increase overall profit from the region by 24 percent. Latin American profit fell 11 percent.

North American profit fell 10 percent as a result of higher marketing expenditure. Unilever said it was satisfied with its business despite economic uncertainty especially in

emerging markets. The group acknowledged that trading had been affected by slower growth in Southeast Asia and Latin America as consumer demand weakened. But it said economic uncertainty in the third quarter had no "significant" impact on its business in Europe and North America.

Portugal, have been hastening to Unilever has cut costs and focused on premium brand household products. At the same time, the company has shed businesses not related to consumer goods, such as the and the specialty chemicals unit sold (Reuters, Bloomberg) last year.

High Low Clase Prev



Very briefly:

SPI

Zurich

• Renault SA's third-quarter sales rose 17.5 percent to 59.4 billion French francs (\$10.7 billion) because of booming demand for its Megane minivan and Kangoo delivery van.

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• Porsche AG's net income for the year to July 31 rose a greater-than-expected 98.6 percent to 276.9 million Deutsche marks (\$166.3 million) on strong demand for its new Boxster and recently revamped 911 sports coupes.

• Puma AG's third-quarter profit dropped 86 percent to 2.8 million DM. The sporting-goods maker blamed the decline on a slowdown in Asia and Latin America and rising costs.

 Tabacalera SA of Spain could face charges in court that its cigarettes damage health after a Madrid court accepted a lawsuit from a former smoker for the first time.

•Baan NV's plans to cut 20 percent of its worldwide work force will not lead to any firings at its Dutch operating units the under an agreement reached with five unions, the maker of business management software said.

 Economic confidence in the 11 countries slated for Europe's common currency fell in October, as a decline in business confidence outweighed a more rosy outlook from consumers.

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OECD Pledges Free Steel Market

Agence France-Presse PARIS - Industrial coun-

tries pledged Friday to try to keep steel markets open, saying their response to the industry's problems would be a benchmark for dealing with other sectors. Steel "is one of the first sec-

tors to experience serious disturbance stemming from the financial and economic crises," said the Organization for Economic Cooperation and Development's sieel committee, representing about 30 countries. It said governments have to

"avoid an escalation of trade conflicts and to maintain the benefits of liberalization."

Kuala Lumpur

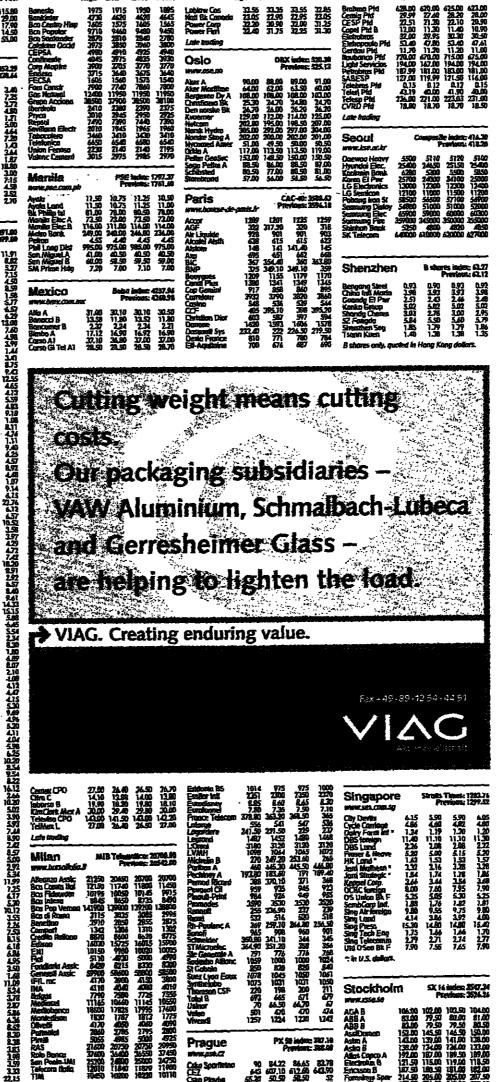
No German Rate Cut Soon, **Bundesbank Official Says**

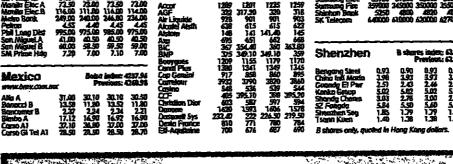
BERLIN - A member of the only in Germany, but the whole of German central bank's governing council on Friday ruled out any interest-rate changes in Germany until the process of convergence in shortterm rates around Europe has been completed in time for introduction

of the single currency on Jan. 1. Interest-rate convergence "is still far from being achieved," Klaus-Dieter Kuehbacher said in an interview with a Berlin-based radio station, InfoRadio. "In this context, it would be absolutely impossible for us to change our monetary

On Friday, the Central Bank of Ireland cut its benchmark lending rate, the securities repurchase rate, to 3.69 percent from 4.94 percent. On Thursday, both the Bundesbank plant-breeding unit sold this year policy."

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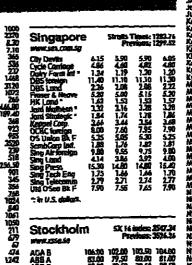




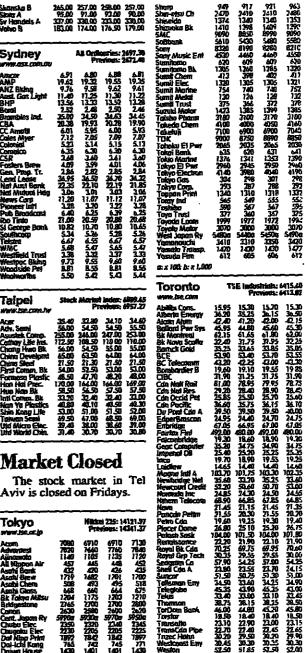
Our packaging subsidiaries VAW Aluminium, Schmalbach-Lubeca and Gerresheimer Glass are helping to lighten the load.

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Alive and Well By David J. Morrow New York Thues Service NEW YORK - Talk about an

and agricultural products.

to an executive with knowledge of And the same of th

If a deal emerges, it would rival in scope the industry's three failed mer-

Hoechst would be a world leader.

is going to believe any deal until it actually gets done." Both compa-nies declined to comment Friday.

WORLD STOCK MARKETS

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Very briefly:

multibillion-dollar rescue package for Brazil early next week after talks with government officials over the weekend. The IMF is expected to offer \$15 billion to Brazil. The Fund's contribution may incorporate a special credit line proposed by Group of Seven major industrial nations.

from 8.3 percent in September, reaching its lowest point since July 1990. The economy gained 57,330 full-time jobs to bring this year's employment growth to 522,000.

was "adjusting our production to market demand.

• Dole Food Co.'s third-quarter profit dropped 36 percent, to \$15.6 million, because of bad weather that hit banana production and a collapse in the Russian economy. Dole expects a write-off in the fourth quarter in the range of as much as \$70 million because of damage related to the hurricane that struck

• Singer Co. reported a third-quarter loss of \$6.4 million, compared with a profit of \$800,000 a year earlier, and said fourth-quarter results would be worse than expected. The sewing machine maker said it was hurt by currency devaluations in Asia and the financial crisis in emerging markets. Revenue rose 24 percent, to \$290 million.

slumping ad revenue as the country slides into recession. The group has \$1.1 billion in dollar-denominated debt.

Dollar Rises As Ireland **Trims Rates**

Compiled by Our Staff From Departue NEW YORK - The dollar rose against European currencies Friday after Ireland cut a key interest rate, raising prospects for more European

Ireland cut its securities repurchase rate, or repo rate, by 1.25 percentage points to 3.69 percent to bring its rates in line with the other

FOREIGN EXCHANGE

10 nations that will join the European monetary union on Jan. 1. Ireland was the third EMU member nation this week to trim its interest rates to bring them toward the 3.30 percent level where rates are expected to converge. Before the rate cut, Ireland had the highest interest rates of the 11 countries particinating in the introduction of the

single currency.
"The dollar's advance has been building through the course of the week as there has been increasing speculation that the conditions are such that you might actually get interest rate cuts out of core Europe." said Lisa Finstrom, an analyst with Salomon Smith Barney.

Hints from the chairman of the Federal Reserve Board, Alan Greenspan, that he sees signs the recent furbulence in global financial markets may be calming has raised questions as to whether the Fed will cut U.S. rates at its Nov. 17 mon-

etary policy meeting.

The dollar also got a lift from comments from Lawrence Summers, the deputy U.S. treasury secretary, who said the introduction of the single European currency in January would benefit the U.S.

"We have everything to gain and little to lose from the success of this momentous project," Mr. Summers told the Transatlantic Business Diaogue meeting.
The dollar was quoted at 4 P.M. at

.6729 Deutsche marks, up from 6608 DM on Thursday. It rose to 5.6102 French francs from 5.5685 francs and to 1.3781 Swiss francs from 1.3642 francs. The pound fell to \$1.6605 from \$1.6615.

The dollar rose to 119.045 yea from 117.970 yea on signs of persistent weakness in Japan's economy. The Economic Planning Agency said Friday that Japan's

U. S. STOCK MARKET DIARY

By Clifford Krauss New York Times Service

Argentine economy, leading automakers here are reporting a sharp cent growth rate for 1999, cutbacks slowdown in sales and production. in production and shrinking ex-The Association of Automobile ports to Brazil are seen as signs of a

Manufacturers reported this week that Argentine carmakers produced 40,000 vehicles in October, a 15 percent decrease from the month before and a 27 percent decrease from October 1997. Exports fell 7.5 percent in October from September and 13 percent from a year earlier, to 23.810 cars.

Barnes & Noble

To Buy Ingram

For \$600 Million

NEW YORK — Barnes & Noble Inc. said Friday it agreed to buy Ingram Book Group, a leading book wholesaler, for

\$600 million in stock and cash

in a move to expand the dis-

BUENOS AIRES — In the first expected growth rate of 5.3 percent sales lots and showroom prices de-

much weaker performance. Argentine auto executives pre-dict that the country will produce about 450,000 cars this year, about move that affects 1,600 workers. the same as last year, with nearly half the cars produced for export to Brazil. Production and sales were rising smartly above 1997 trends

concrete sign that the recession in Brazil may slam a brake on the Argentine economy, leading automakers here are reporting a sharp expected growth rate for 1997. But while General Motors Corp., Chrysler the government predicts a 4.8 permanent pr work hours of their employees and suspended production for several October from the previous month

Martin Redrado, a leading Argentine economist and former aide to President Carlos Saul Menem, said that Brazilian interest rates until Angust, as regional stock mar- currently averaging 42 percent

Argentina has been one of the strongest economic performers in Latin America this year, with an With 20,000 cars now sitting in The key question is will the IMF fiscal package for Brazil be sufficient?" Mr. Redrado asked.

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DITOCK WARRENS

■ Brazilian Car Sales Plunge

Sales of Brazilian-made cars. trucks and buses fell 22 percent in weeks this month in their Argentine as high interest rates and concern plants. GM is halting production at about job losses kept car buyers its Rosario plant for two weeks, a away from dealers, Bloomberg move that affects 1,600 workers. News reported from Sao Paulo.

The sale of cars and trucks made in Brazil fell to 79,106 units from 100,816 in September. The drop in sales from October 1997 was even more dramatic at 51 percent.

• The International Monetary Fund expects to finalize a

Canada's unemployment rate fell '> 8.1 percent in October

• Levi Strauss & Co. will temporarily close seven factories over the holiday season. More Etan 4,000 workers will be asked to stay home in December and January in Texas, Georgia, Tennessee and North Carolina. The company said it

Central America. Revenue rose 3 percent, to \$1.21 billion.

The Globo group, the biggest Brazilian media company, fired 480 executives and professionals, cutting costs to offset

 Boston Chicken Inc., the parent of the Boston Market restaurant chain, posted a third-quarter loss of \$288.4 million after charges of \$260 million related to its bankruptcy filing. slump due to weak consumer de-Revenue rose to \$261.0 million from \$110.8 million last mand and severe labor conditions.

tribution network of America's biggest bookseller. Barnes & Noble operates 1,011 Barnes & Noble and B. Dalton bookstores and sells

through America Online Inc. Ingram, a closely held com-pany based in Nashville, Tennessee, distributes trade books, textbooks, magazines and books on tape across the United States from 11 sites in Tennessee, California, Virginia, Con-

books on line at its Web site and

necticut and four other states. The move is the latest by Barnes & Noble to battle stiff competition from Amazon.com Inc., an on-line bookseller. Last month, Bertelsmann AG agreed to pay \$200 million for a 50 percent stake in Barnes & Noble's on-line business.

Under the deal, Barnes & Noble said that it would pay \$400 million in stock and \$200 million in cash for lugram, whose 11 shipping centers will allow overnight delivery to 80 percent of Barnes & Noble's The stock price of Barnes &

Noble's jumped \$3.125 to close

MARKETS: Double Trouble for Buyers of U.S. Bonds

Continued from Page 11

demanded high levels of liquidity, or the ability to sell at an instant's notice. The shift in global funds sent

bonds in mid-August, which led in-vestors to conclude that almost any

Closed up 19.46 points at 1,856.56.

Several drug companies reported investment could fall to the waves of financial turmoil set off last year in Asia, including U.S. stocks.

The Federal Reserve Board lowered U.S. interest rates twice since late September to head off the spread of a global recession to America, and that has helped the stock market march steadily upward in recent weeks. Markets in Asia, meanwhile, have stabilized.

That has analysts predicting a fur-ther drop in U.S. bond prices and an increase in yields.

Michel Camdessus, managing director of the International Monetary Fund, said Friday that interest rate cuts the past month by the United States and other leading industrial economies have eased chances the financial crisis in emerging markets will lead to a global recession. "Measures are being taken to di-

minish the risk of the global economy slipping into recession," Mr. Camdessus said in a prepared speech to the World Affairs Council. 'After a September statement in which the industrial countries acknowledged a shift in the balance of risks away from inflation, several policy steps have improved prospects for sustaining growth."

(Bloomberg, NYT)

■ U.S. Stocks Climb Higher

on Friday, news agencies reported. The Dow Jones industrial average closed 59.99 points higher at 8,975.46, and the Standard & Poor's 500 index ended 7.15 points higher yields on U.S. bonds to record lows at 1,141.00. Gaining issues outand prices surging.

That rush was set off by Russia's on the New York Stock Exchange, effective default on its government and the Nasdaq composite index after the provider of Several drug companies reported new drugs or other research advances, which lifted their shares.

Expectations for a new generation of arthritis drugs that could management information system.

Change the way doctors treat the EduTrek International fell 2% to change the way doctors treat the condition lifted Merck 3 to 144 15/

61/2 after the provider of education programs warned that weak Power and Iment would have revealed to the condition of the Anesta rose 1 to 22 after the com-

pany said U.S. regulators approved May 31. its powerful Actiq roc painkiller.

Safeway rose 2 11/16 to 49% after rollment to a programming delay Standard & Poor's said that the supermarket chain's stock would be

added to the S&P 500 index next week, when Chrysler's absorption by Daimler-Benz becomes official. New additions to the S&P 500 often jump because mutual funds that mimic the index must add the stock Vision Twenty-One fell 21/2 to 5

after the provider of management and administrative services to eyecare providers posted disappointing third-quarter results. The company said its esults were hurt by delays in the implementation of a new accounting

enue and earnings for the year to

AMR Adjust to Fewer Fliers

Corp., the parent company of American Airlines, said Friday it would retire 10 planes earlier than expec- that the U.S. airline industry has cause of slowing demand.

three years.

AMR also plans to delay new

service between U.S. cities and he added. Moscow, Paraguay and Tokyo.

FORT WORTH, Texas — AMR conditions," said Gerard Arpey, orp., the parent company of Amer-The move comes amid concern

ted next year and delay new service added too many planes in an attempt on some international routes be- to take advantage of an increase in business in recent years. The second-biggest U.S. airline
will take eight DC-10s and two Boesultant to aircraft makers, said re-

ing 727s out of service several years ducing the number of aircraft in a earlier than planned, saving the company's fleet was "certainly bet-company \$40 million over the next ter than discounting airfares to fill them up.'

Other carriers may soon follow, AMR shares fell 62.5 cents on

The Trib In	dex	Pnces a	s at 4:00 P.M. i	New York time.
Jan. 1, 1992 = 100	Lavel	Change	% change	year to date % change
World Index	188.02	+ 0.08	+ 0.04	+ 9.24
Regional Indexes				
Asia/Pacific	88.15	1 <i>.9</i> 7	2.19	8 <i>2</i> 4
Europe	216,40	0.61	- 0.28	+ 12.10
N. America	262,07	+ 2.58	+ 0,99	÷ 21.33
S. America	96.39	+ 1.20	+1.26	 36.86
Industrial Indexes				
Capital goods	258.09	+ 1.10	+ 0.43	+ 24.94
Consumer goods	234,25	+ 0.55	+ 0.24	+ 11.59
Energy	197.91	1.01	0,51	+ 1.51
Finance	128,57	80.08	— 0.06	+ 4.56
Miscellaneous	173.62	5.11	2.86	+ 15.84
Raw Materials	173.68	0.13	— 0.07	+ 3.85
Senica	198.88	+ 9.44	+ 0.22	+ 14.10
Utilities	179.03	0.73	— 0.41	+7.29
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Friday's 4 P.M. Close The 200 most traded stacks of the day, up to the closing on Wall Street.

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Tokyo Doubts Impact of Stimulus Program

TOKYO — Japan's huge public works spending package might not be enough to spur domestic demand and power the sagging economy out of recession, the government said

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POINT

Friday.

The Economic Planning Agency said in its monthly report that the economy was still in its worst downturn since World War II, with the outlook darkened by unstable curprivate capital outlays are still sagging because of concerns about the long-term prospects for the econgury, the agency said.

ing of the yen and signs of slowing economic growth overseas, said Takashi Omori, director of the Economic Planning Agency's domestic economic affairs section.

Flagging overseas demand is particularly worrisome because Japan has long suffered from stagnant domestic demand. The government rency markets and slowdowns overseas. Despite government plans to
spend about 10 trillion yen (\$85.25)

September from a year earlier. billion) on pump-priming measures, stretching the longest-ever streak of such declines to 11 months.

Hiroma Nonaka, a government spokesman, said Friday that Japan was considering reducing its sales

ment's Tax Commission to study the proposal," Mr. Nonaka said, adding that legislators would discuss the idea within the context of an "overall tax system revision." Leaders of the governing Liberal Democratic Party said this week that reductions in income and corporate taxes might

not be discussed until January. The Economic Planning Agency also said Friday for the first time that the effects of the \$141.5 billion supplemental budget enacted last summer have started to show up in the economy. Public works orders to the 50 largest companies rose 19.5 per-

One bright spot for the Japanese tax by 2 percentage points for a cent in September from a year ago, economy — exports — is also endangered by the recent strengthendangered by the recent strengthen-

Japan's export-import bank and 10 other government-guaranteed borrowers are raising less money abroad this year following an increase in their funding costs,

Bloomberg News reported. The borrowers have sold 147.1 billion yen worth of foreign bonds since April 1, down from 344.9 billion yen in the year-ago period.

Funding costs have risen for Japanese borrowers in international capital markets since Moody's Investors Service Inc. said in July that it might cut Japan's credit rating.

Sanwa to Halt

Loans to Firms

Outside Japan

Bloomberg News

Ltd., the fourth-largest lender in

Japan, said Friday it would stop

lending to non-Japanese corpo-

rate consumers overseas as

rising funding costs make such

Sanwa said it would halt

lending to non-Japanese clients

in the United States and Europe.

and reduce lending in Asia. The

bank had \$11.3 billion in loans

and other overseas assets as of

March 31 on a parent company

Our policy has been to reduce low-profit lending, and the

'Japan Premium' is accelerating

our plans to scale back over-

seas," said Haruhiko Kimura, a

spokesman for the bank. The

bank will start to call in some of

its unprofitable loans, although it

does not plan to abruptly reduce

Sanwa's wholly owned U.S.

banking subsidiary, Sanwa Bank California, will continue

to lend to U.S. clients, he said.

The move is part of a long,

slow exodus for Sanwa Bank

and other Japanese lenders,

which lent huge sums abroad at

slender margins during the "bubble economy" of the

Now, the banks are stream-

lining businesses at home and

overseas to increase capital and

bolster bottom lines.

1980s.

its loan book overseas, he said.

lending less profitable.

TOKYO - Sanwa Bank

Monopoly on Web Access Capada Ca Saffre Departm NEW DELHI — India said Fri-

India Breaks

day it had ended Videsh Sanchar Nigam Ltd.'s monopoly as India's only Internet service provider by allowing more companies to provide access to the global computer network.

"We want to encourage entre-preneurship," said Kabindra Purkayastha, the minister of state for communications, adding that 47 companies had already applied for licenses to provide Internet access. India has about 130,000 Internet

connections and an estimated 500,000 users, and analysts think the number of users could rise to more than a million in the next five

Most customers are linked through VSNL gateways, and users complain that the service is unreliable and the lines clogged. Analysts said they expected service to get cheaper and more de-

pendable through competition among different providers. Market forces will now decide the tariffs." so prices will fall, said R.R.N. Prasad, a member of the

Telecom Commission, which drew up the new policy for the Department of Telecommunications. Service providers will pay no license fee for the first five years and

a token rupee a year for the next ten years, but they will have to put down a deposit ranging from 300,000 rupees (\$7,100) to 20 million rupees. depending on the areas they want to serve. Mr. Purkayasıha said. The government also said that prior experience in information

technology or telecommunications services was not necessary for becoming an Internet service pro-New service providers would

need to start operating within 18 months of getting their licenses. The new businesses also will be allowed to choose their own methods of delivering their service, such as phone lines, cable lines or satellite, Mr. Purkayastha said.

Foreign companies will be allowed to own up to 49 Preent in the Internet service providers. "This is a very positive step,"

said Parag Dalvi, an analyst at Pranav Securities in Bombay. However, this could effect the fortunes of VSNL. VSNL shares were not traded Fri-

day. They closed Thursday at 708 (Bloomberg, AFP)



Very briefly:

•Nippon Steel Corp., the world's largest steelmaker, posted a loss of 44.34 billion ven (\$375.9 million) in the first half, more than expected, as automakers and other customers in Japan and the rest of Asia cut production.

• The People's Bank of China has submitted for approval to the Chinese cabinet regulations that would force trust and investment companies to split their securities businesses from core concerns, creating new legal entities.

• Singapore Press Holdings Ltd.'s net profit fell 19 percent for the year ended in August, to 277.78 million Singapore dollars (\$171.4 million), because of lower advertising revenue.

• Japan agreed to extend a \$2.3 billion aid package to Thailand. Kyodo News agency reported. More than \$1 billion of that will be part of the new \$30 billion in aid promised last month by Finance Minister Kiichi Miyazawa to help troubled Asian economies, the report said, quoting unidentified officials from Japan's Finance Ministry.

• Fuji Bank Ltd. and Dai-Ichi Kangvo Bank Ltd. announced plans to create a 50-50 joint-venture. Dai-Ichi Kangyo Fuji Trust & Banking Co., by merging their trust banking subsidiaries on April 1, 1999.

 Hong Kong Telecommunications Ltd., the city's largest telephone company and a unit of Cable & Wireless PLC of Britain, said net profit rose 1.4 percent, to 6.1 billion Hong Kong dollars (\$787.9 million) in the first half.

 Mitsubishi Motors Corp.'s president, Katsuhiko Kawasoe, said his company and Mitsubishi Heavy Industries Ltd. were working jointly on developing vehicles powered by fuel cells and they aimed to have a commercially feasible vehicle ready by 2005. • China may need to import as much as 35 million tons of

crude oil, or about 250 million barrels, in 1999, a quarter me than in 1997, as the country's demand outstrips output, said Li Dongmei, director of planning at the country's largest oil refiner and second-largest oil producer, China Petrochem-Bloomberg. AFP, AP, Reuters ical (Group) Corp.

COLOMBIA: Businesses Face Threats and Violence

Continued from Page 11

Colombia's military intelligence

Through the committee that Mr. ants. Urrea heads, the chiefs of security for 65 of the largest companies in Colombia, most of them from the United States, are in constant contact through beepers that flash bulletins. Mr. Urrea heads security operations for Esso, the Colombian carrying out political assassinations. subsidiary of Exxon Co. On one For more than a year, the State Derecent day, his beeper warned of a partment has been combing through strike by 700,000 civil servants that was paralyzing roads, telecommurications, hospitals and airports.

The Colombian military sends the committee daily intelligence reports and other information, while the po-

tential or actual employees. there's no information, there's no power," Mr. Urrea said. But more information means maintaining close ties to military are retired military officers like him and police forces that have a record

of chronic human rights abuses. According to government investigators and human rights groups,

army and police officers have colhided with the right-wing paramilitaries, which roam the countryside, terrorizing and massacring peas-

Last summer, the 20th Intelligence Brigade, which supplied in-formation to every branch of the military, was disbanded, with numerous officers facing criminal charges of running death squads and the human rights records of the Colombian army, seeking units with clean records to receive aid to combat narcotics. But the human rights problems are so pervasive that only one unit has been cleared, and another had to be created fresh, culling and other indiffusion of poor other had to be created using the unblemished records from scattered units.

Mr. Urrea said that most security chiefs working in the private sector who have access to the most senior officers in the Colombian military

"As far as I know, they are hon-

APEC Likely to Press U.S. and Japan

Market News HONG KONG - Countries in-Economic Cooperation forum next week are likely to push for more U.S. rate cuts and additional fiscal

South Korean official said Friday. 'Most of us will be looking to the U.S. and Japan, 'said the official, who is closely involved in APEC matters. "China will also

But he played down the chances for real action on shortterm capital flows or hedge funds.

est, but there are exceptional cases where a person, in his impotence before the situation we're living through, commits excesses and violates human rights," he said. "But that's the exception, not the rule.

Security chiefs and security firms have also been involved in negotiating ransoms, which are technically illegal in Colombia. In a famous case, Control Risks negotiated for the wife of a BASF AG chemical company executive. The hostage, Brigitte Schone, was eventually released when a German spy couple, Werner and Isabel Mauss, elbowed Control Risks aside and paid rebels a ransom of \$1.5 million - 10 times the amount the company had bargained the ransom down to. The case set off an international incident when the Mausses were briefly arrested trying to leave the country with the freed hostage, using false passports provided by the German government.

The most costly threat to foreign businesses has been attacks on oil pipelines. The attacks have not ceased even as the government prepares to open talks with the largest insurgent group, the Revolutionary Armed Forces of Colombia, or FARC, in an effort to end the civil war, which last year claimed 2,183 lives, according to human rights groups.

Nestor Martinez, interior minister in the new government, acknowledged that lack of security is a serious hindrance to doing business in nous minorance to doing business in Colombia. "Of course, we have problems, like all other developing countries," he said, "but we're dealing with them, and we're beginning weare talks with the overginning peace talks with the guer-

volved in the annual Asia-Pacific

stimulus from Japan to help alleviate the Asian financial crisis, crete action to coordinate fiscal two areas put on the table by the but they are unlikely to take conpolicy across the region, a senior Malaysian hosts of the meeting.

have an important role."

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For months, American banks have been miniming their dollar lending to Japanese institutions, and in the increasingly uncertain outlook for the global economy, American institutions have been trying to shed, rather than increase their endar year end nears, American banks are skittish about having their balance sheets reflect a great deal of exposure to

Japanese banks. So instead of lending dollars, American institutions are using swaps to turn over dollars to Japanese banks in exment arm of Barclays Bank change for yen. This has often cently the Japanese demand for swapping yen for dollars has become so keen that American banks are swapping in massive quantities. But that

use banks have an acute de-

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YEN: Unwanted and Unvalued Continued from Page 11 are hesitant to lend dollars to them because of heightening has money in the corner bank concern over the Japanese fiis still getting interest - neg nancial system. is still getting interest—neg nancial system. ligible interest of less than 1 Similarly, the rush to percent, but still interest. Treasury bills is virtually an Only some Japanese governescape from leading to Japment bills of six-month ma-A client can still deposit money in a Japanese bank and

be, it will be safe.

their corporate lives.

turities now have negative yields, and only a few foreign banks, such as Barclays Caperata, J.P. Morgan and Citiss such distrust of Japanese ibank, have announced neg-banks that customers may ative interest rates on yen prefer to pay for the right to put their money in Treasury

Why would anyone pay someone else to take their At least, the feeling seems to money? Why not just keep it, or lend it out at no interest? Partly for convenience. If a cession and piles of bad loans

bank has the odd million yen eroding the capital bases of lying around, it could keep. the money in its safes, but that might lead to extra security expenses. So long as the interest rate is only slightly negative, it may prefer to buy bills in a securities account even if there is a slight cost.

Banks could also keep their cash at the Bank of Japan, the nation's central bank. But Japan is in the midst of a liquidity some and the last thing the Birth of Japan wants to see is people citing on their cach people sitting on their cash.

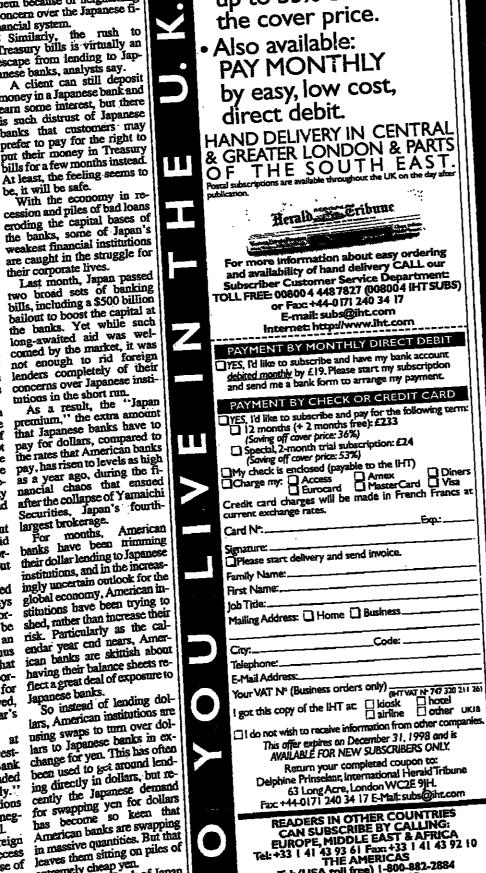
cost to keeping cash with the central bank. The stacks of that Japanese banks have to cash have to be sorted by lot number and brought to the Bank of Japan, a task that some pay, has risen to levels as high banks would find trouble as a year ago, during the fisome. Or, they have to pay nancial chaos that ensued someone to sort the money and after the collapse of Yamaichi transport it for them.

We are not talking about largest brokerage. grocery cars' of cash, said Mr. Campbell at J.P. Morgan "We're talking about convoys of trucks."

Barclays Capital advised other banks a couple of days ago that if they wanted to borcharged the equivalent of an risk. Particularly as the calrow yen, they would be annual interest rate of minus 0.03 percent. That means that Barclays would pay the borrowers to borrow, and so for every million yen borrowed, the client would, over a year's time, receive 300 yen.

spokesperson PLC, said: "We have traded been used to set around lendat that rate quite frequently." the added that transactions were also recorded at negative 0.08 percent as well

The reason that foreign to yen currency is because of the troubles in the Japanese economy. Right now, Japanese "I think the Bank of Japanese" mand for American dollars to said Xinyi Lu, chief strategist help fund their overseas op-crations, but American banks



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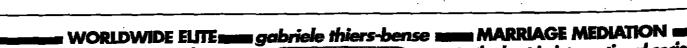
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CHARMING NEIGHBORHOODS IN EUROPE

OF SARTRE AND SAINT LAURENT

Saint-Germain-des-Prés s latest residents are fashion's big names.

appeal. At various skyline.

times, the area has . Bit by bit, the abbey buildcenter for left-wing philoso- and the Rue de Rennes were phers and bohemians.

afternoon with shoppers ern depredations. The church and cars honking, the visitor palace are all that remain has only to look up at the today. The church interior is simple tower of the ancient worth seeing for the 19th-Saint-Germain-des-Prés sky to feel the magic.

As early as the eighth cen-ments. tury, the neighborhood was

Throughout its church began in the 10th cen- the former studio and apartlong history and tury, making use of the new ment of the great French many identity Romanesque style of archichanges, Paris's tecture. Two of its three Saint Germain- towers were destroyed in the neighborhood include the Indes-Pres quarter 19th century, leaving behind has always re the bell tower that today

Even today, on a Saturday hood, and various other modforonging, tourists gawking and vestiges of the abbey's century murals by Hippolyte the Old and New Testa-

stitut de France, a handsome has always re- the bell tower that today 17th-century semicircular tained its special defines the neighborhood's building that faces the Louvre across the Seine. This is where the five French been a pastoral setting for a ings were destroyed by the academics meet, including imonastery, chic suburb for ravages of the French Rev- the Academie Française. the rich and noble, hothed of olution, Baron Haussmann's which compiles the official evolutionary conspirators, 19th-century urban-renewal French dictionary. The Instimangout for American expa-project, during which the tut is also home to the lovely firste writers and intellectual Boulevard Saint-Germain wood-paneled Bibliothèque Mazarine. The courtyard of cut through the neighbor- the famous Ecole des Beaux-Arts, known for the antics of its art students, can be seen from the Rue Bonaparte.

borhood's landmarks are still grouped around the church at intersection of the Church outlined against the Flandrin with themes from Boulevard Saint-Germain and the Rue Bonaparte --- the Café de Flore, Les Deux dominated by a Benedictine hittle haven of peace in this and La Hune bookstore -

While many of the neigh-



brand-new boutique right on the corner. stands, supermarkets, bakerhas taken over a bookstore cheese store and wine shop next to the church. Facing the church is a Louis Vuitton store, and Cartier has set up shop on the other side of the also has a high concentration the luxury retail invasion with somewhat inflated

sive farmlands. The con- Furstemberg, site of the new look.

streets and French designers includes some of the biggest around the Rue de Buci, struction of the still-standing Musée Eugène Delacroix, While art galleries, chic Yves Saint Laurent and Sonia names in international fash- where the locals do their food Emporio Armani has a in one of the bustling cafes. showcase Flower stalls, vegetable and a Christian Dior boutique ies. a fishmonger, butcher, Rue Jacob. provide all the necessities of

> Saint-Germain-des-Près of movie theaters and jazz continues in Saint-Germain- prices.

life in France.

Behind the church is a Magots, the Brasserie Lipp little boutiques, bookstores Rykiel have been in the Another kind of com-clubs, catering to two of des-Prés, but Paris's gauche and pricey antique shops neighborhood for some time, merce thrives in the colorful Parisians' favorite pastimes, caviar (well-off leftists) and abbey surrounded by exten- busy quarter, the Place de the area today is taking on a have long lined the side the latest wave of newcomers and lively market area Most of the cinemas are literary and cinema stars can grouped around the Carre- still be found in the cafes four de l'Odéon, while jazz, grumbling about the shopping and stop for a drink clubs can be found around changes to the neighborthe Rue Saint-Benoît. Big in- hood. ternational names appear

Much has changed since regularly at La Villa on the Jean-Paul Sartre, Simone de Beauvoir, Albert Camus and To the dismay of many Ernest Hemingway sat writresidents, who have formed ing for hours over a coffee in a neighborhood association the cases, but at least the called SOS Saint-Germain, cafes are still there, albeit

THE MARAIS MIXES OLD AND NEW

Besides nightlife and Sunday shopping, the quarter also has some of Paris's finest 17th-century mansions.

Right Bank are home to a number of striking shuts down. contrasts. The old is represented by the ancient stone town houses where nobles and aristocrats once lived; the new by the dozens of trendy bontiques. Tradition can be found in the synagogues and on the Rue de Rosiers, where the Jewish community still congregates on Sundays and the bakeries and delis sell kosher foods. A more modern way of life is evident in the area's lively anightlife; while there has been an explosion in the number of gay bars and shops, the area also has many popular hangouts for straights.

The Marais can lay claim to what is probably the loveliest square in the city, if not the world: the Place des Vosges. Originally the site of a royal palace, then of a horse market, the square acquired the stately arcaded brick buildings that surround it at the beginning of the 17th century at the instigation of Henri IV.

On Sundays, the Place des Vosges throngs with strolling bourgeois families and the nearby specis, especially the Rue des Francis Bourgeois, are full of shoppers taking advantage

Steeped in history, the narrow, picturesque streets of the many clothing and home decor boutiques that open that make up Paris's Marais neighborhood on the their doors on Sunday, when most of the city's commerce

The Marais's greatest treasures are its magnificent hôtels particuliers, the mansions once inhabited by the nobles surrounding the royal court, which was moved from Paris to Versailles by Louis XIV. Many of them have been beautifully restored and are now museums.

Visitors should not miss the 17th-century Hôtel de Sully, located between the Place des Vosges and the Rue de Rivoli, if only to see its two lovely courtyands and the painted woodbeam ceiling of the bookstore.

The 17th-century Hôtel Carnavalet, once the home of the prolific letter writer and overbearing mother Madame de Sévigné, is now home to the Museum of History of the City

The blessedly crowd-free Musée Cognacq-Jay contains a

collection of 18th-century art, housed in the restored Hôte Donon. The best-known of the Marais's museums-in-a-mansion is, of course, the Musée Picasso, a must-visit for lovers of the

master's work, located in the impressively restored Hôtel is the Musée Européenne de la Photographie, situated in a renovated hôtel particulier with a handsome modern ad-

dition. The museum holds notable photography exhibi-The crooked streets and courtyards between the Rue des Jardins-Saint-Paul, Rue Charlemagne, Rue Saint-Paul and Rue de l'Ave-Maria are home to small antique shops, many of them specializing in Art Deco and 1950s kitsch. Four times a year, antique markets are held in the connecting

CHAMPS-ELYSÉES

gourmet restaurant Ledoyen

is tucked away among the

now used for occasional out-

door exhibitions like the re-

cent show of vintage and

art museums. An exposition

of the works of 16th-century

Italian painter Lorenzo Lotto

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Arc de Triomphe, still a sym-

bol of Paris, and a magnet for

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Continued from page 16 city and to appreciate the

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remarkeu up... Plus ça change... Heidi Ellison

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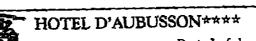
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THE FISHING CAT AND THE SINGING MARKET

The ancient university center of Paris, where Dante lectured to students seated on straw in

Latin Quarter has many additional charms.

country village, and the Rue Mouffetard has one of the city's liveliest food markets, especially on Sunday morning, when the locals turn out in force and the streets ring with the sound of accordion music and shoppers belting out chansons françaises.

home to the recently renovated Museum of Natural History,

Suseum of the Middle Ages, a Gothic mansion built on Zeman baths whose remains are visible to visitors. Better known as the Cluny, it is home to the famous "The Lady and the Unicom" tapestries.

The Institut du Monde Arabe is also worth a visit for its innovative modern architecture by Jean Nouvel, its collections of Arabic art and the splendid view of the Seine from its rooftop café and restaurant.

the streets and where Latin was the obligatory lingua frança, today has a rather contradictory character. Sandwich shops cater to the Sorbonne students who fill the streets by day, and cheap retail outlets line the Boulevard Saint-Michel, but behind the quarter's graceful facades is some of the city's most expensive housing. Paris Mayor Jean Tiberi lives there, as

did the late President François Mitterrand. Tourists love the crooked medieval streets with evocative names like Le Chat Qui Pêche (the Fishing Cat), but the

Quiet streets like the Rue Lhomond could be in a French

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mews and cot- mid-January. tages, Kensington combines quiet elegance with some

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LONDON

With its tree-lined exhibition of the British ilavenues of Geor- lustrator Aubrey Beardsley's gian and early strange and exquisite fin-de-Victorian houses, siècle drawings runs until

Continuing north along Exhibition Road, you cross Kensington Gore and pass of London's best through the Alexandra Gate shopping and din- into Hyde Park, with Kensing. A good start- ington Gardens and the Sering point is South pentine Gallery on your left, Kensington, where a short and the Long Water lake, or

From the gardens, you can takes you past cafes and res- view the magnificent, ornate gold-leafed Prince Albert Memorial, built in 1876 -At the intersection with and recently restored at a cost Cromwell Road you have a of \$11 million - to comwide choice, including the memorate the achievements Victoria and Albert Mu- of Britain's imperial age and seum's 146 galleries contain- the husband of Queen Vicing unrivaled collections of art and design from 3000 B.C. Gardens, you reach the to the present day. A special Broad Walk and Kensington

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Proceeding Kensington Church Street, The you reach Kensington High Palace's State Apartments are open to the public and Street, a major shopping from Nov. 18—as part of the thoroughfare. Turning west two-week festival "Asian and into Holland Park Road, Art in London" - will feayou arrive at No. 12, the home of Frederic, Lord ture "China Mania," a reconstruction of King William and Queen Mary's Porcelain Leighton, president of the Royal Academy, who created a masterpiece of Ori-Gallery built in 1693. Kensington Palace Gar- entalist interior design before

Palace, is a tree-lined avenue 1879 to house a collection of containing some 30 stately mansions, many of them tiles Leighton accumulated from Rhodes, Damascus, built between 1844 and 1860. Once known as "Million- Cairo and elsewhere, is just aires' Row," the street has one attraction. now become home to embassies. No. 2 on Palace Kensington High Street, past Green, which currently the tube station, and just off houses the Israeli embassy, was designed by the architect Street is Kensington Square, Frederick Herring for the dating from 1685 and one of rich beer. British novelist and author of the oldest in London. The majority of the buildings are "Vanity Fair," William Georgian, in brick and Thackeray.

dens, on the west side of the

Continuing west, come to Kensington High Street, with its wide choice of tinctive Flemish influence as antique shops and eateries. Proceeding north, you reach favored by film producers, art Food Hall with its Art Nou-

ter Road, the railings border- 2-6, will feature a sale of chill, others offer mulled Palais de Justice, appropriing Hyde Park to Victoria 20th-century works of art. wine and steaming sausages ately built on a former ex-Gate are hung with a huge Sponsored by the auction array of paintings, watercol- house Christie's South Kensors and photographs for sale ington, it includes a series of on Sunday mornings. Off free lectures as well as glass-Bayswater Road, Queensway ware by Lalique, Galle and is a popular haunt for tourists Tiffany, paintings and drawfrom around the world seek-

just a few of the kinds of mers.

"CHARMING NEIGHBORHOODS IN EUROPE"

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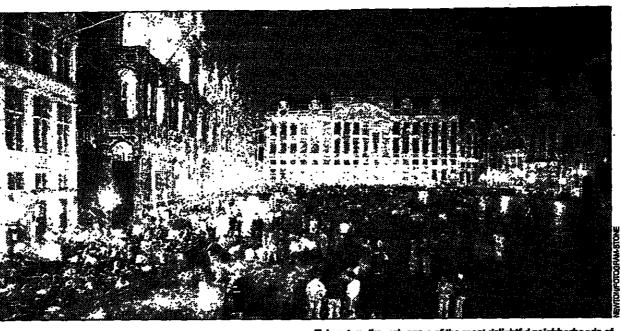
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CHARMING NEIGHBORHOODS IN EUROPE



south on

his death in 1896. The Arab

Returning east along

stucco, from the 18th cen-

To complete the tour, a trip

ings by Picasso, Matisse and

Warhol and Modernist fur-

Pamela Ann Smith

Take a tour through some of the most delightful neighborhoods of three European capitals, from London's aristocratic Kensington and Maykir (Left: Kensington Palace) to Brussels's enchanting Grand'Place (Center) and Paris's glittering boulevards and medieval lanes (Right: the Champs-Bysées; facing page: the Pont des Arts and the Institut de France in Saint-Germain-des-Prés).



CHRISTMAS IN THE HEART OF BRUSSELS

The city's Grand'Place and Sablon neighborhood go all out for the holidays.



travagant theater, and its within strolling distance. cafés offer blazing fires and

tury, but there is also a dis- many European countries, shopping. Along these treeoffering a taste of their lined boulevards, Louis Vuit-Christmas traditions, as well ton and Hermes stand as crafts from all over Bel- proudly beside Pierre Cardin Notting Hill Gate, an area to Harrods is a must, and the gium. Colored Christmas and Versace. Behind the the Sablon at Christmas, or flea market. dealers and media personal- veau interior is worth a view hand-crafted wooden toys, and winding alleys of pristine ities with a wide choice of on its own. So too is the stained glass and fine art are a boutiques.

galleries and street markets. exhibition hall at Kensington few of the offerings from the Dominating the end of Av-To the east, along Bayswa- Olympia, which, from Dec. many stalls. To stave off the enue Louise is the colossal

Embodying charm and free, the interior is certainly iday season, an evening Nocded gabled build- chic, and only a stone's throw worth a visit. ings. Brussels's from the Grand'Place, is a The Palais stands on a hill entertainment, shops open Grand'Place is district with real magic. Fine with a view of much of Brus- late and stalls selling mulled particularly bewitching on a architecture, fabulous food, sels. At its foot is the Mar- wine and food. During this

The Avenue de la Toison d'Or, which runs along the The Christmas market course of the ancient city

lanterns, fine Belgian lace, façades lie shopping galleries when the trees are lit with

With its town hall or waffles and Belgian beer. ecution site. With entrance tiny white lights. Each hol-

crisp winter's evening, when lively markets and the ul- oiles district and the Place du year's event, held on Nov. floodlights and Christmas timate in designer boutiques Grand Sablon. The area's 26-28, the last concert of celolles district and the Place du year's event, held on Nov. lights transform it into an ex- and antique shops are all sandy marsh was drained in ebrated Belgian the 17th century, and the Jacques Brel will be shown wealthy of Brussels built on a huge screen. their homes here. Enough of the gabled houses remain to Marolles district, with its ter-(Dec. 4-13) revives the tra- walls, together with the ad- give the square an elegant raced cottages in narrow dition of the medieval fair. joining Avenue Louise, is the charm, with art galleries and cobbled streets, is becoming The market has stalls from perfect place for window- antique shops - some in both chic and trendy. Two

> cafés and restaurants. Nowhere is prettier than down to a tearning brocante

turne du Sablon sees musical

The adjacent area of the winding alleys and court- parallel streets, Rue Haute yards behind the houses - and Rue Blaes, which are crammed with shops, lead

CHAMPS-ELYSÉES GETS A MAKEOVER

Promenades have become a pleasure again.

The center of high society from the 1700s on, Mayfair remains the aristocratic heart of London, typified by the Duke of Wellington's residence, Apsley House, at Hyde Park Corner. The area of fields and farms bordering the park and running north of Piccadilly to Oxford Street was first developed in the 18th century by the Duke of Grosvenor to cater to the provincial nobility seeking urban residences close to Buckingham Palace. Apsley House still houses the Iron Duke's famous collection of paintings - by Goya, Velàzquez and Rubens — within its chandeliered

On the way to Piccadilly Circus, it's impossible not to notice the liveried doormen at the Ritz. Afternoon tea in the exquisite Palm Court requires booking months in advance, but it's often possible to have tea in the lobby - just opposite the Court - at a moment's notice.

HIGH SOCIETY IN MAYFAIR

At the Royal Academy of Arts in Burlington House, further along Piccadilly, you can collect a wide range of postcards, books, posters, gifts, ceramics and textiles inspired by artists such as Constable, Chagall and Dame Elizabeth Frink, and view its bewildering display of permanent col-

Running north from Piccadilly is Old Bond Street, dating from the late 17th century. It leads into New Bond Street, the site of world-class designer boutiques such as Donna

Karan, Calvin Klein, Ralph Lauren and Prada. To the south of Piccadilly, in St. James's, lie the private clubs and gentlemen's tallors, as well as a host of specialist

to say about the popular attraction. Champs-Elysées: "This magnifiavenue.

flanked with ings, is one of the most fashwhen numerous carriages. their way to and from the offers smiling service. Bois de Boulogne.

magnificent avenue flanked fashionable people. Natives

Paris stepped in and refurbished the avenue a few years ago. The sidewalks have been widened to accommodate the throngs of promendouble row of trees. Parked

cars have been banned. Now that precedence has been given to pedestrians rather than to cars, retailers have begun to take a new interest in the Champs, in turn attracting a new type of of course, more tourists.

Megastores

One of the first new busi-

The 1900 edition With its trendy top-floor resi of "Baedeker's taurant, large stocks of discs Paris and Its En- and books, and late opening

Once the avenue had been

virons" had this hours, it quickly became a

jazzed up, other stores followed Virgin's example. Sephora, a purveyor of handsome build- perfumes and cosmetics opened its own megastore, ionable promenades in Paris, vast emporium where the especially in the afternoon, youthful staff, dressed in designer black with one black riders and pedestrians are on glove à la Michael Jackson

With its wide range of A century later, the products, bookshop, change Champs-Elysées is still a ging exhibits and free Internet access, Sephora is a shining example of a modern retail success, a nice contrast and impeccable service of the shop nearby, which sells only company's own

opened a large branch on the Champs, and Ladurée, the chic tearoom famous for its luscious macarons and other pastries, has installed a shop eurs and are now lined with a on the south side of the av

Shooting off the Champs Elysées is the ritzy Avenue Montaigne, where many of the top fashion houses like Dior, Christian Lacroire, Chanel, Louis Vuitton, Ji Sander, to name just a few! have boutiques.

More than shopping The Champs-Elysees is not just for shoppers, however Between the Place de la Concorde and the Avenue Frank lin D. Roosevelt are the gracious gardens where Marcel rolled hoops with his first

Continued on page 17

Paris - Marais



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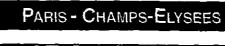




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with handsome buildings, but in recent times it had become more of a promen- to the Old World atmosphere ade for tourists, pickup artists and pickpockets than for the venerable Guerlain perfume

avoided it except to attend its the numerous movie theaters. products. That situation has changed Now FNAC, the Fresch dramatically since the city of music and book chain, that

visitor: young people, curi-ous locals, chic shoppers and,

nesses to move in, long before the avenue's renovation, was the Virgin Megastore, which took over a former Proust's young narrand bank, retaining the original handsome, sweeping stair- love, Gilberte, and where the case and making the former vault part of the bookshop.

HOTEL DE LA BRETONNERIE

SIGING MARKET

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PANTHEON

2 10 2 2 2 2 4 4

Stock Valuations by Country





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Taking Stock With an Eye on Value in the Post-Exuberance Era

By Sharon Reier

Final address: moneyrep@iht.com

A stock does not become a sound innestment merely because it can be he at close to its asset value. The stor should demand, in addition, a intactory ratio of earnings to price, a sufficiently strong financial position and the prospect that its earnings will at least be maintained over the years."

Benjamin Graham,

NVESTORS WHO have grown uncomfortable with what seems to be a resurgence of irrational ex-uberance in the big North American and West European stock markets may still be able to find compelling basgins if they search the globe using the precepts of value investing.
Value investing is one of two ways to

approach stocks. The idea is to look for nares trading-at prices below those justified by their issuers' assets or earnage or sales or some other measure of

whith.

The opposite theory is growth invacing, in which potential stock purchasers do not worry about where a company is, but focus on where it is going. A growth stock may be expensive relative to the company's current earnings, but the price reflects optimism that profits will rise.

Until July, optimism was pervasive in the developed markets of the West Since then, however, the outlook for global economic growth has weakened, and with it the prospects for stocks of companies that were hoping for big rises in profits. This has naturally focused attention on value investing, and the corrections in stock prices over the summer have created opportunities for buy-

ing shares on the cheap.

Most recently, shares on the diminnive Vienna Stock Exchange had modest price-to-book ratios of about 1.5 and price-to-earnings ratios of 10, while elsewhere in Europe levels of 2.5 times book value and more than 20 times earnings are common. Austria has the kind of valuations that might have sought a gleam to the eye of the late Benjamin Graham, author of "The In-telligent Investor." Mr. Graham was a professor at Columbia University, and his theories profoundly influ

7.7

Why is Austria so undervalued when most of the rest of the world's developed markets are up in orbit? Other markets were still climbing to their July highs as investors braned statish on Austria in June, according to Wolfgang Pinner, chief strategist

VALUATION for CAIB Investment Bank, a subsidiary of Bank of Austria. As investors recognized signs of impending ca-tastrophe in Russia, the Austrian Traded

from 1,463 in August. It is now about 30 percent below its recent high of .628.56 on May 26.

"A lot of people from the United States and the U.K. viewed this market as Eastern European, and with the Russian crisis, it seemed unattractive." Mr. Proper said. But he said 65 percent to 70 percent of Austria's exports are to Westerit Burope. Only 10 percent go to the East, mostly to the Czech Republic, Hungary, Poland and Slovenia, comtries planning to join the European Un-

Austria will adapt the single European currency, the euro, in January, which, Mr. Pinner, believes may change investor perceptions. In the meantime, he wincluded, Austria remains "very max undervalued."

C PECIFICALLY, Mr. Pinner sees ondervaluation in stocks like Flughafen Wien AG, the privatized amport authority that sells at 20 to 30 percent below such European counterparts as BAA PLC, Kopenhavns Lufthaven A/S and Aeroporti di Roma SpA VA Technologie AG, a heavyconstruction company, is selling at 11 times estimated 1999 operating earnings, a discount to competitors such as the Swedish-Swiss ABB Asea Brown overi Ltd., whose two haives fetch about 15 times forward profit, and Signess AG, currently trading above 22

He also recommended the Austrian oil company OMV AG, which at 10 times next year's expected earnings is a bargain when compared with such competitors as Repsol SA of Spain (trading at 15 times carnings), Ente Nazionale Idiocarburi SpA of Italy (15) and Elf

Agnitaine SA of France (21) The price-to-earnings ratio is a populm measure of value, and investors can see P/E ratios for the most recent four quarters in newspaper stock listings. There are, however, other valuation gauges, such as the value of a company's assets minus its debt.

Bin a stock can be inexpensive relive to its book value yet not be a good by if it cannot use those assets to generate earnings. That is why although stocks on many Asian markets these days are selling at below book value, they are not considered especially attractive, since there is little prospect of

camings growth. "If you are in difficult markets - if the economy is in a protracted difficult period — you have little earnings visibility. Said Otto Wasser, head of research for Bank Julius Baer in Zurich.

You have to value companies differ-

क्षित्राम्यं त्रिक्षं है

ently. In Asia, the long-term outlook for carnings is very difficult to assess. Japan is not the screaming buy that some

people are trying to tell us."
In the United States, in the 1930s, he said, "the overall turnsround didn't occur until stocks were way below book during the middle of the Great Depression." The rest of Asia, he added, had to be approached "like a turnaround situ-

"And for many companies, we don't have good faith in the way the book value is calculated," Mr. Wasser said. Since correct valuation is based on a

stock's price relative to earnings, the necessity of having a fairly accurate picture of future earnings growth is essential. That is why securities analysts spend so much time estimating compa-nies' earnings and why they are paid such high salaries to do so.

A solid earnings outlook ensures the ability to pay a dividend. Mr. Graham did not believe a variation in payout percentages were significant. But he wanted to see a history of continuous dividends without interruption. Paradoxically, in boom times on the stock markets, many shares reach astronomical prices without a whiff of earnings or a dividend - witness the surge in Internet stocks in the United States

THILE markets tend to overreact and underreact in a manic-depressive fashion, value investing, said Oliver Kamm, head of strategic research for Commerzbank Global Equities, "is based on the assumption that at some point there is a reversion to the mean.

Value investors look to buy stocks in a market's depressive phases, when good companies can be bought for prices that are below their intrinsic

How does an investor determine whether a market is undervalued?

Cingroup Inc.'s Salomon Smith Barney Inc. unit produces a monthly Global Investment Outlook that includes a comparison of valuation measures in 22 developed countries. Its auther, Leila Heckman, said the ratios in developed countries were not comparable to those in emerging markets, hence the separate valuations.

Global Investment Outlook uses five criteria to establish the valuation of difren Buffett, one of today's foremost ferent markets: price-to-book ratio; price-to-earnings ratio based on the previous 12 months' earnings, the P/E ratio based on an estimate for the coming year's earnings; 10-year average P/E ratios, and the difference between real short-term interest rates and a stock's earnings yield.

For the last measure, earnings yield is simply the reciprocal of the price-tocarnings ratio, a useful way to compare per-share profitability with bond yields. For instance, the current earnings yield on U.S. stocks is about 3.8 percent, while one-month interest rates adjusted for 1.7 percent annual inflation, are about 2.2 percent. That gives stocks a

I.6-percentage-point advantage.

Other analysts who compare earnings yields to interest rates use different approaches. Many express the figure as a ratio, dividing the interest rate by the carnings yield so that a result of less than 1 means stocks are attractively priced. Some use the yields on three-year or 10year bonds, and many use nominal rather than inflation adjusted interest

As evaluated by Salomon Smith Barney, the earnings-yield gap on the stocks in the Austrian ATX index is 314

Earnings-Yield

Ratios For

G5 Countries

		to-book tio	Trailing price- to-earnings ratio		1999 For	1999 Forecast P/E 10-Ye		Avg P/E	Earnings yield gap* (in basis point)	
	Oct.	Sept.	Oct.	Sept.	Nov.	Oct	Oct.	Sept	Nov.	Oct
U.S.	4.2	4.2	25	25	19	18	18	18	163	170
Canada	1.9	1.9	.18	. 18	15	15	2‡	21	45	91
Japan	1.7	1.7	106	106	36	35	54	.54	-6	31
Australia	2.0	2.0	. 19	. 19	14	14	15	15	57	52
Hong Kong	1.2	1.2	. 9	9	11	8	13	13	247	738
New Zealand	1.3	1.3	13	13	12	12	13	13	-49	440
Singapore	1.0	1.0	12	12	16	12	20	20	218	394
Austria	1.5	1.5	10	to	11	11	31	31/	314	710
Belgium	2.7	2.7	21	∵ 21	18	18	14	14	177	231
Denmark	2.4	2.4	:49	19	14	14	26	26	148	214
Finland	3.5	3.5	30	. 30	14	12	23	23	299	114
France	2.1	2.1	23	23	18	17	18	. 18	143	177
Germany	2.7	2.7	25	25	18	19	21	21	111	147
Ireland	3.9	3.9	20	20	12	11	14	14	499	178
Italy	2.4	2.4	23	23	19	18	22	. 22	218	132
Netherlands	2.7	2.7	~21.	21	17	15	14	14	445	354
Norway	1.4	1.4	13	13	9	9	17	17	226	215
Portugal	3.1	3.1	, 23	23	18	16	15	15	394	309
Spain	2.5	2.5	: 28	28	18	17	14 🕾	14	220	131
Sweden	2.7	2.7	20	20	16	14	18	18	11	56
Switzerland	4.1	4.1	20	20	17	16	18	18	310	382
U.K.	3.5	3.5	18	18	16	15	15	15	154	181
Average	2.5	2.5	23	23	16	15	20	20	197	248

Earnings yield minus national inflation-adjusted short-term interest rates. A large number means stocks have high ear. ings levels relative to interest rates.

basis points. That means the earnings yield on stocks is 3.14 peacentage points above the inflation-adjusted, short-term interest rates in Austria.

Looking at that gap, one European investment professional initially called Austria a "screaming buy." But then he amended his view, saying the country was an "interesting add-on" to a portfolio. The reason for this downgrade derives from Vienna's comparatively the entire ATX is a mere 400 billion Austrian schillings (\$35.4 billion). The entire market is worth \$35 billion to \$40 billion. Should several large pension or mutual funds waltz into the market, the valuations could swing quickly.

Many European markets are attractive values on the basis of the earnings yield gap. Mr. Pinner noted that the German market had an 80 to 85 percent earnings-yield ratio (or a 114 basispoint yield above short-term rates, according to Salomon Smith Barney).

Mr. Wasser of Bank Julius Baer recommended the Dutch market, with an earnings-yield gap of 445 basis points, and France, which has a gap of 143 basis

On the basis of price-to-book value, Vienna is also cheap. It sells at only 1.5 times book. That compares with an average of 2.5 times book value for the 22 countries in the Salomon Smith Barney universe, with the U.S. stock market selling at the top of the range at 4.2 times book value. Switzerland is running slightly behind, at 4.1, down from an exuberant 5 times book value the pre-

Germany

To put this in perspective, Mr. Graham suggested that "defensive investors" seek companies with P/E ratios no higher than 15 and price-to-book ratios of 1.5.

In recent years, some analysts have suggested that rising productivity and low interest rates justify looser stan-dards than Mr. Graham's.

ards than Mr. Graham's. most intuitive sense is to assess equities Still, with P/E ratios at rich levels yield relative to the bond yield," he

compared with historical norms, you might wonder why many markets seem to be moving inexorably higher.
Investment professionals weigh different valuation criteria differently. But

many share the perspective of Commerzbank's Mr. Kamm.

"The valuation measure that makes

Mr. Graham grappled with this issue when he analyzed the stock market in 1972. Conditions then were the opposite of what they are today. Back then, the three-year P/E ratio for the S&P 500 was lower than it had been at year-end 1963 or 1968. This important indicator taken by

itself," he wrote, "could not be con-strued to indicate that the market was especially high in January 1972. But when the interest yield on high-grade bonds is brought into the picture, the implication becomes much less favorable...Our final judgment is that the adverse change in the bond-yield/stockyield ratio fully offsets the better price ratio for late 1971... Hence our view of the early 1972 market level would...be

B UT MR. GRAHAM realized that all the ratios in the world could not create an exact science. Paraphrasing Aristotle, he wrote: "It is the mark of an educated mind to expect that amount of exactness which the nature of the particular subject admits. It is equally unreasonable to accept merely probable conclusions from a mathematician and to demand strict demonstrations from an orator.

The work of a financial analyst," concluded Mr. Graham, "fails somewhere in the middle."

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THE MONEY REPORT

Good Buy or Bad? The Premiums of Equity Risk as a Measure of Worth

By Conrad de Aenlle

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S SHARE PRICES in Europe and the United States hit peak after peak earlier this year, analysis maintained that the advance was justified because stocks were undervalued. But the question remained: undervalued compared to

Not traditional benchmarks like earnings, dividends and the value of companies' assets. By those measures, stocks cost more than they ever had, and even after the subsequent decline, they were closer to levels that were high by historical standards, not low.

Stocks seemed to be cheap in relation to bonds, the pundits contended, based on a mathematical device called the implied equity-risk premium that has been used for decades but that has been in vogue especially during the last two or

Stocks over the long run have been more profitable investments than bonds; this is as it should be, because owning stocks is a riskier proposition. Holders of bonds issued by sound governments or corporations will almost definitely receive interest payments at a rate determined when the bonds were purchased and get all of their investments back when the obligations mature. With stocks, by contrast, dividend payments are left up to corporate boards and are easily cut when financial dificulties arise, and stocks sometimes

come worthless. Another advantage to bonds is that should problems become insurmountable and a company fail, shareholders must get in line behind bondholders to

recoup any assets. Probably more important to most investors is the fact that stocks trade more erratically than bonds, and investors feel they deserve a greater return for the added volatility. Otherwise, what is the point of suffering the ups and downs?

"The idea is that equity investors ought to require some compensation for the excess risk they assume, compared to bond investors," said Mark Howdle,

a strategist in London for Salomon Smith Barney Inc. "Over periods of time, they tend to achieve an excess return. The argument is that it is ap-

propriate to expect it in future." How excessive the return is that investors demand for stocks is used by analysts to judge whether stocks are cheaper or pricier than bonds. The rationale is that if investors are playing hard to get, requiring a return for stocks that is much higher than it usually is. compared with bond returns, then stocks are a good buy. The reverse - a small risk premium -- suggests that they are expensive.

The risk premium is typically figured by adding a stock market's dividend yield to projections for earnings growth for the next several years, then subtracting the benchmark

government-bond yield. Say you foresee annual inflation for the next five years of 0 to 2 percent, an average of 1 percent. Bond investors are usually comfortable with an inflation-adjusted return of 3 percent a

year, which means you would expect a 4 percent annual yield for bonds during the five years. Now, say that stocks are yielding 2 percent and that you expect corporate earnings to grow by 7 percent a year. The risk premium is (2+7)-4, or 5 percent, which is close to the historical average for many markets.

All you need to know is the level of interest rates and corporate earnings, not just tomorrow or for the next quarter, but for the next five years, as well as the relative volatility of stocks and bonds, and you can judge how much greater the return should be for stocks and whether the stock market is over-, under- or fairly valued. Of course, if you could predict those key numbers with accuracy over a prolonged period, you would not need the formula and you would probably have even Warren Buf-

fett seeking your advice. That is one of the problems inherent in the risk-premium notion. Couching it in a formula gives it a sense of objective, scientific precision, but the components in the calculation are difficult to predict and the way the resulting number is interpreted is subject to bias.

son, a professor of finance at London Business School, explained the fallacy Market Earnings Valuation, 1997-1999 Earnings-per-share growth and price-earnings estimates in major European market indexes EPS EPS Growth Growth 1936E 1999E 1996E 1999E 1996E 1999E 1997 (index) 14.2 13.9 15.0 **Austria** 22.4 21.9 21.9 -2% 145 142 BEL-20 145 Belgium 17.1 16.9 17.5 12 Denmark 1€.9 15.3 16º。 -4°。 16.5 HEK-20 208 240 Finland 22.5 21.3 23.4 155 France 27.5 24.9 40% 190 165 Germany 19.1 18.3 20.3 11% 237 234 211 ISEQ tretand 22 : 23.9 26.3 60. 10% 1215 1309 MIB-30 1102 20.8 21.3 22.4 46 Netherlands AEX 12.5 12.7 10.9 40 47 OBX-26 23.8 21.6 24.0 11% 217 209 BVL-30 188 Portuga! 21.8 23.4 419 365 392 Spain 18.0 18.0 17.7 0% -2% 33 33 34 Sweder 24.3 6% 5% 251 SMI Switzerland :8.8 19.7 19.7 00. 269 FTSE 24.4 26.1 7% FT/S&P **Furozone** 24.3 22.8 6% 12 12 Europe ex-U.K. FT/S&P 11 21.6 20.6 5% 5%

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Peter Canelo, a strategist at the investment bank Morgan Stanley Dean Witter, points out that fair value for the Standard & Poor's 500 index of American blue chips would be 914, about 20 percent below its present level, if the component companies in the index were to post combined operating earnings of \$48 per share next year and if gov-

FT/S&P

ernment bonds were to yield 6 percent. But if earnings are \$54 and yields tumble to 4.5 percent, an outcome just as reasonable given today's economic cir- generally outperform bonds, there

not compensated for the added risk. Mr. Canelo of Morgan Stanley uses a 2 percent premium in his calculations and calls it 'probably quite conservative, since there is strong evidence from historical studies that the volatility of stock returns has only been about 1 percent greater than that of bond returns since the late 1970s." Looking at Mr. Canelo's calculations from a different perspective, using curreat bond yields and assumptions about earnings that look reasonable for the moment, the U.S. market has a 2 percent risk premium, in line with norms of the last couple of decades, making stocks appear fairly valued. Far more risk is implied in prices of European equities, Mr. Howdle said. Based on Salomon's interest-rate forecasts - which show little change in most markets — and 1999 earnings-growth pro-jections that range from a loss of 4 percent to growth of 8 percent in the various countries, the risk premiums are 3.3 per-

cumstances, fair value for the index would

be 1,357, or 20 percent higher than it is.

Then there is the question of how

large the risk premium should be. At the

summer top, the U.S. market did not look

cheap, no matter what numbers were

plugged into the formula. Rather than

concede that, some analysis decided that

the proper risk premium, which had been

4 percent for many years and then re-

duced to 2 percent, should in fact be 0.

The argument went that since stocks

in the most risk, and therefore theoretically most undervalued, is Austria. At the other end of the spectrum is Belgium. Risk premiums are difficult to figure in regions where bond markets are poorly developed.

of such reasoning: The risk premium, by

definition, reaches zero at the point

where expected returns on stocks and

bonds are equal. The anticipated out-

performance vanishes, and investors are

"In many Asian countries, the bulk of the debt outstanding is denominated in U.S. dollars, yen or some other cursaid Jeff Uscher, editor of Grant's Asia Observer. "It probably does not make much sense to calculate risk premia across different currencies."

cent to 4.9 percent. The market factoring

'I spent all of my career as a stockbroker in Japan dealing with equities, "he added. "I really had no idea about what was going on in the bond department and vice versa. I know a lot of people use earnings yield, the inverse of the P/E ratio, to calculate a yield for equities, but, while I understand the logic behind this, I have always found it to be suspect."

So is the available information about corporate earnings, which makes risk

premiums difficult to figure, as does the fact that in Asia and other developing markets, economic and financial life is more volatile than elsewhere.

Such analysis only works when there is a degree of stability in rates. currencies, economies, earnings, etc., said Hugh Young, managing director of Aberdeen Asset Management Asia. In the markets he follows, he said, "there is precious little, if any such stability.

'Also, for Japan and the rest of Asia,' he continued, consumer and asset prices "are generally falling fast, so real interest rates have, if anything, risen during the last month or two, or for years for Japan.

Bonds are attractive in a deflationary economy because the value of money, which is what bonds represent, goes up, while financial assets such as stocks see their worth eroded. Also, while nominal bond yields may decline, their real - in this case, deflation-adjusted - yields often increase because prices of goods and services are falling. So the principal of the bond can buy more things at maturity than it did at issue, the reverse of the usual case, where inflation saps its purchasing power.

Risk-premium calculations are ineffective in a market on the edge of a deflationary abyss because bond yields tend to fall in anticipation, making premiums seem high and stocks undervalued at precisely the wrong time. This may have happened in Western markets last summer. It will remain an open question as long as the possibility of deflation remains, although investors who have pushed share prices up in the last few weeks evidently have decided

that the threat has receded. Mr. Howdle said that he did not expect deflation and that present high risk premiums reveal true value in stocks. Still, with their various shortcomings not least the susceptibility to imprudent tweaking — he advised examining risk premiums only as part of a broader analytical regime.

"If you've got a tool that can give you a wide range of values, don't try to use it too precisely," he said. "Put it in context. If other people misused this to argue a bullish case in the past, that's their problem. If you're an investor, you can't delude yourself. You have to keep a level head."

November 6, 1998

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much good at picking stocks. "Over-all," concludes a new study by the

National Bureau of Economic Re-

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Still, the vast majority of news-

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-- are a waste of time and money, or

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BRIEFCASE

Finding Value In Tech Stocks

Not only do stock valuations vary from country to tries found stocks trading at a Taiwan Semiconductor Mancountry, as noted elsewhere in this section, but from industry to industry, as well.

Gary Schieneman, an accountant who works for Merrill Lynch & Co. in New York, said in a study this week that price-to-earnings ratios are not an appropriate way to evaluate technology picture than the commonly companies. This is probably a good thing for investors in- border calculations, measurterested in the sector, because

ing enterprise value against cash flow. Enterprise value measures company's stock-market apitalization plus its outstanding debt and preferred stock minus its cash on hand, while cash flow is earnings before interest, taxes, depreciation and amortization. Mr. Schieneman said technology companies generally had little or no debt, decreasing

> and thus making the companies seem expensive. Earnings growth in hightech companies has been spectacular, an annual rate of 2 percent from 1993 to 1997. That is expected to decline to 14 percent for the 1997 to 1999 time span, although semiconductor companies are down. Removing the chipmakers, tech companies are directed to the Japanese fi-more money than buying an index expected to show 20 percent nancial community, rather mutual fund or throwing darts at a earnings growth in the threeyear period.

an international look at 32

Merrill prefers to look at

the price/earnings ratios rel-

ative to earnings growth in

valuing technology compa-nies, Mr. Schieneman conten-

used alternative for cross-

15 data.

growth and using other valuation criteria, Merrill came up with a list of five cheap and ularory difficulties.

British venture a few years ago after encountering regulatory control of the best recent performers "does not earn positive abnormal returns." five expensive technology

Kyocera Corp., Computer ation in London. Associates Inc. and Sun Mi-

On the other hand, Micompanies in the software, crosoft Corp, was considered hardware, semiconductor and the most expensive of the telecommunications indus- stocks studied, followed by pricey 31 times estimated ufacturing Co., Dell Com-1998 earnings, based on Oct. puter Corp., Lucent Technologies Inc. and SAP AG. (IHT)

From Morningstar, Tokyo Fund Ratings

ded that this gives a better Morningstar, Inc., the Chicago-based fund research group, is on the march overseas. Its new Tokyo opera-tion, owned jointly with Softbank, the Japanese publisher and software distributor, has introduced its first product. described as "Morningstar in Japanese on Japanese funds," according to Stephanie Kerch, a company spokes**woman.**

The offering is an expanded version of Fund Investor, think the world is coming to an end Morningstar's monthly news- and only Newsletter X can save you. letter for American investors, rather than the thick binder of by Andrew Metrick of Harvard Uniindividual fund reports that has a wide following in the United States. But the methodology will be "the same third-party, unbiased approach of fund analysis with under the same third-party and analysis with under the same third-party. United States, But the methodology will be "the same third-party, unbiased approach of fund analysis with under the same third-party and the s Morningstar brand name," Ms. Kerch said. That readers already know: Religiously includes Morningstar's pop-ular star ratings for funds, seen dragging the average with five stars the top rank Initially, the product will be

than individual investors. The Japanese venture is not Comparing current P/E ra- the first foray abroad for tios to expected earnings Morningstar. It shut down a editors do not develop "hot hands."

But several other countries are now under consideration. The bargains Merrill found and, according to Ms. Kerch, were Hewlett-Packard Co., that could well include a STMicroelectronics NV, second attempt at an oper-

Newsletters: All the Tips Aren't Fit to Follow NVESTORS NEED all the help the Wilshire returned 14.7 percent. In trades 46 percent below its May high \$1.05 over the past 12 months for a P/ they can get — which is why so second place. Investor's World reat a price-to-earnings (P/E) ratio of just E of 14, and Mr. Frank believes many of them turn to financial turned only 12.2 percent.

of 105 newsletters beat the Wilshire. shopping centers and apartments and They were the deliciously titled Prudent pays an 8.6 percent dividend.

Al Frank, has returned an annual av- enlightening is Dow Theory Forecasts, erage of 19.4 percent, well above the whose issues often focus on screened Wilshire's 16.1 percent. All-Star lists, such as stocks that have low P/E Funds returned 17.3 percent. A third ratios but high growth, or themes, such newsletter, Fundline, tied the Wilshire. as undervalued transportation stocks. Why do most newsletters fare so poorly? The main problem is that they to Dow Theory's stock portfolios has

Another letter whose market timing Speculator and All-Star Funds.

Another letter whose market timing you can ignore but whose stocks are But, according to Hulbert, adhering

JAMES K. GLASSMAN ON INVESTING

trade a lot, incurring commissions assumptions) and often moving into in each of the past 10 years. make consistently lousy selections.

But the biggest problem of nearly all letters is that they try to time the market - jumping in and out based on their editors' view of the future.

Market timing is a game that, it seems, only one newsletter, The next three to five years), provides Chartist, has been able to play successfully, and even its editor missed most of the huge market move since 1994, which is why he has trailed the Wilshire over the past five years.

My advice for newsletter readers is simple: Ignore all timing recommendations. Just look at the stock tips.

The best example of a brilliant stock-picker who gets the timing wrong is Charles Allmon, the witty and venerable editor of Growth Stock Outlook, a 34-year-old newsietter. Foilowing the letter's advice strictly over the past 15 years would have produced annual returns averaging only 7.9 percent — or roughly half the Wilshire's profits — according to Hulbert.

More than 90 percent of Mr. Allthe past 15 years has beaten the mon's current model portfolio is invested in money-market funds. He composed of virtually all U.S. stocks. owns only six stocks, at least two of

not been too rewarding. The news-(Hulbert includes these costs in its letter has failed to match the Wilshire

cash (which, especially over the past 16 years, has been a dumb thing to do).

The Prudent Speculator, which may be the best of all newsletters, has beaten Also, against all odds, some of them the Wilshire over the past three-, fiveeight. 10- and 15-year periods. In a typical issue, Mr. Frank

presents the key financials for all the stocks on his buy list (companies trading for 50 percent or less of his determination of their fair value over the detailed commentary on about a halfdozen of them, explains his buy and sell decisions and highlights one

Stock of the Month. The buy list - at 120 stocks - is nity. far too unwieldy to own in its entirety, but, lately, Mr. Frank has been sug-gesting 10-stock portfolios with

Last month, he recommended "Income-Oriented Bargains," that is, stocks that pay decent dividends: Asarco, Brunswick, Cummins Engine, DeBeers, Excel Industries, KLM Royal Dutch Airlines, McRae Industries. OEA Inc., Pope & Talbot, and Sea Containers.

His Stock of the Month for November is Integrated Health Services Inc., which buys nursing homes and converts them into more sophisticated facilities for post-acute patients. After

orned only 12.2 percent.

9, and New Plan Excel Realty Trust, a "1999 operating earnings should be over the past five years, only two out real estate investment trust that owns in the \$2.50 a share range." That would put the P/E at less than 6.

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The Same Special

As for The Chartist's selections, they are generally unsurprising large-caps. Top portfolio holding is Mi-crosoft Corp. Worth noting are Al-bertson's Inc., the well-run retail food-drug chain; PECO Energy Inc., a Pennsylvania utility benefiting from deregulation, and Yahoo Inc., the Internet search engine, or "portal," as these prime sites are now called.

Two of my favorite newsletters do not offer model portfolios: The Dick Davis Digest, which is

actually edited by Steven Halpern, is compendium of well-chosen excerpts from other newsletters — 46 of them in the most recent issue. There's always a spotlight stock; on Nov. 2, it was the satellite leader Hughes Electronics, picked by Positive Patterns newsletter of Springfield, Ohio.

Bob Howard, that letter's editor. writes: "When you buy a stock, you want the best. The dogs will always be cheap - always. The best will always be expensive, but in reality they are bargains." Good advice.

Mr. Carlson offers cool, smart connsel to his readers.

'So far," he writes in the current 'every major financial crisis has been a major buying opportu-

His recommendations are mutual funds rather than stocks, and he provides more general advice of taxes and ways to cut trading costs. Washington Post Service

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November 6, 1998

That newsletter, The Chartist, published by Dan Sullivan, returned an annual average of 15.9 percent while them worth your attention: Anchor a profit setback, the stock is down them worth your attention: Anchor a profit setback, the stock is down more than 60 percent from its April of them worth your attention: Anchor a profit setback, the stock is down more than 60 percent from its April of them worth your attention: Anchor a profit setback, the stock is down more than 60 percent from its April of them worth your attention. I would not set the stock is down more than 60 percent from its April of them worth your attention. I worth your attention april of them worth your attention. I worth your attention april of them worth your attention. Anchor a profit setback, the stock is down more than 60 percent from its April of them worth your attention. Anchor a profit setback, the stock is down more than 60 percent from its April of them worth your attention. Anchor a profit setback, the stock is down more than 60 percent from its April of them worth your attention. Anchor a profit setback, the stock is down more than 60 percent from its April of them worth your attention. Anchor a profit setback, the stock is down more than 60 percent from its April of them worth your attention. Anchor a profit setback, the stock is down more than 60 percent from its April of them worth your attention. Anchor a profit setback, the stock is down more than 60 percent from its April of them worth your attention. Anchor a profit setback, the stock is down more than 60 percent from its April of them worth your attention. Anchor a profit setback with the company and the profit setback with the company has a profit setback with the company ha FOR INFORMATION on Monapestar's Japanese fund date, call \$1.3 5642 8428. crosystems Inc. Advertisement INTERNATIONAL FUNDS To receive free daily quotations for your funds subscribe at e-funds@int.com Katy Hourl: Fax (33-1) 41 43 92 12 or e-mail: funds@iht.com http://www.ibt.com/iHT/FUN/Funds.html IT BANGUE BELGE ASSET MGMT FUND Bore Dyshbuler Gueristy 441481 726614 12.50 17.49 13.88 6.94 2.68 1.590 2.093 BURDLETTE PARAMETICA TRUST CO. 3

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THE NATION AS SEEN THROUGH OTHERS' EYES

Tunisia is firmly rooted in modern economics, technology and society.

unisia usually generates favorable commentary from observers regarding its political stability, progressive economic policies and formidable strides in social

"In contrast to many other Arab states, Tunisia has always been a country inviting and supporting contact with the putside world," notes Robert Mantran, a historian and Mediterranean specialist who teaches at the Institute of American Universities in France. "Tunisians have assimilated many foreign ideas and institutions into their society, and this has provided them with a national sense of direction and stability. The country is certainly the most westernized and socially progressive nation in North Africa."

independent observers tend to agree that the current recipe for economic development has created a favorable environment for growth. Institutions like the World Bank and International Monetary Fund have said that the government could reduce more quickly the state's role in the economy, speed up the privatization process, and further liberalize trade. Yet most economists remain optimistic.

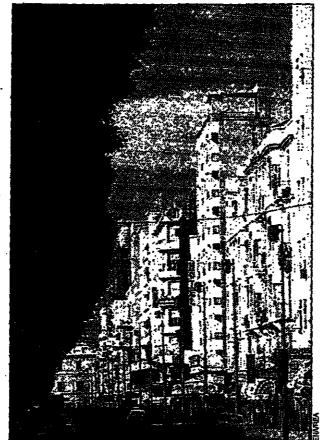
"We think Tunisia is a country making constant progress in terms of economic development, and we have a very positive outlook," says Eric Lindenbaum, an analyst at Merrill Lynch in London who follows countries in the Middle East and Africa. "The most important economic development during the past six months is that the govcomment has begun to move ahead with its large-scale rivatization program."

Gateway to trade

; Economic liberalization and openness to external ideas are continuing in many areas. Tunisia is a gateway to African and . Middle East markets, and the country is breaking ground in advanced information technologies.

"The Tunisian administration is taking active measures to create pacts with international organizations in the area of new technologies," says Senator Pierre Laffitte of France, sidered first and foremost a summy tourist destination. who is hosting a conference next week on Teleteaching in ¿Europe and Mediterranean Countries. "In addition," he says, there is a substantial national competence in software development, telecommunications and research, and the government is prepared to modernize rapidly the national infrastructure." Participants at the conference will include Moncer Rouissi, Tunisia's minister for employment and

Tunisia's long-standing relationships with the United States and the European Union, with which Tunisia signed an



important Association Agreement in 1995, are on a solid

U.S.-Tunisian ties continue to flourish under the leadership of President Ben Ali," according to U.S. Secretary of State Madeleine Albright. She notes that the bilateral relationship between the two countries dates to a treaty that they signed in 1797. "Our militaries work closely together, and U.S. businesses seek opportunities for investment in the Tunisian

The story of contemporary Tunisia has not been successfully conveyed outside the country, which is still con-

Spreading the word

"Most people I encounter in the United States and Europe still regard Tunisia as a Mediterranean vacation destination which happens to have a more stable political situation than some of its neighbors," explains Mounira Hoche, a Tunisian-born executive who lives in Europe and has traveled extensively in the United States. "I'm pleasantly surprised when I meet women who are aware that [many] Tunisian females don't wear veils and that they have significant

Joel Stratte-McClure



LAWS LIBERALIZE FINANCIAL INSTITUTIONS

An agreement with the European Union has spurred changes that will make this sector more competitive.

lower service barriers in 2001. This will affect the country's 12 commercial and other standards of bank operation; banks, eight development banks, two restructuring so that commercial banks merchant banks, eight offshore banks, can make long-term loans and develture capital investment companies.

ulatory reform, the commercial banks activities. - with nearly 750 offices or branches throughout Tunisia — are being lib- Unlimited transfers eralized, adapted to European stan-

n accordance with an agreement system commissioned by President and credit ratings have been implesigned with the European Union. Zine El Abidine Ben Ali identified three mented, and interest rates are not reg-. Tunisia's financial institutions must major areas for reform: regulatory re-ulated. form to apprade reserve requirements eight leasing companies, 28 stock- apment banks can offer savings acprovements in technology, staff training Through new legislation and reg- and the legal environment for financial

dards, and equipped to meet the steps to bring its banking sector in line ance). evolving financial needs of the national with international norms. The Tunisian economy. The country's savings rate as dinar was made convertible for current a percentage of GDP is almost 25 per- transactions in 1994, and as a result ing exceeds 50 percent. The relevant cent (an increase of nine points in the there are no restrictions on transfer of last decade), with savings accounts and income on capital, commercial transunit trust funds reaping the benefits. actions or transactions related to pro-A 1997 report on Tunisia's banking duction, International reserve standards

The foreign exchange market, set up in 1994, handles about 85 percent of foreign currency purchases and cash sales, brokerages, 105 trust units and 16 ven-counts; and modernization, i.e., im- and 100 percent of time transactions.

Foreigners may, without prior authorization, hold up to 100 percent of the project capital in firms operating in manufacturing, tourism, export services, and industry-related services In other ways, too, Tunisia is taking (e.g., engineering, industrial mainten-

> For domestic trade, authorization must be obtained if foreign shareholdgovernment office is obliged to make a decision for approval or refusal within

C.F.

FUND GIVES POWER TO THE PEOPLE

The president has made it his mission to distribute -- are store -- the fruits of development.

> us in one of the most impove state, but the other half come enshed areas of the country. from contributions by indimAs of today, schools in 74 viduals and organizations. such areas will be equipped. The President insisted on this

President Zine El Abid- could be involved in their rine Ben Ali's government country's development. Last has placed a high priority year one million donations on reaching out to the country's poorest citizens. In a \$11 million. National Day speech two beyears ago, the president 26/26 vision emphasized the importance The National Solidarity Fund "of "justice in the distribu- is sometimes referred to as tion of the fruits of devel- the "26/26 Fund" because at appment and equality of op- least 26 families must be livportunity for all citizens

-: wherever they may be." The government's commitment to economic devel- is number 26. opment has brought about a network of social services ects of four types. The first that are among the best in the region. A high percentage of the budget is allocated to socid programs, including including health, unemploy-

ment, education and training. Other priorities are to provide low-cost housing, boost employment, expand the health-care network, imexprove educational facilities, advance women's rights and opportunities, and create new employment and training new road to a nearby school programs.

1,144 points of light

Currently, 60 percent of the population is middle-class, and poverty has declined from 13 percent in 1980 to 6.2 percent today - this is the lowest range in the developing world. Revenue iper capita has more than a man who rents his five doubled in the last decade, while substandard housing bas more than haived. The level of literacy is the highest on the continent, almost 70 percent; twothirds of the illiterates are over 50 years old.

President Ben Ali established the National Solidarity Fund to eradicate poverty. The point is to unlock

these 'places in the shadows' by providing paved roads, electricity, potable water, basic health services," says Mohammed El Hedi Ben Abdallah, an executive with the fund.

Working with residents and local authorities, plumbing. Tunisia's 23 prefects have

close to 60 percent. he first school in identified 1,144 areas of Tunisia to receive a need Half of the Fund's revcomputer was located enues are provided by the structure so that all Tunisians

> ing in a zone for it to qualify. Also, the post office account

where donations can be made The Fund sponsors proj provides basic infrastructure for electricity, water, roads, health-care facilities, schools and housing. There are 2,250 projects, including a recently completed housing project.

Multi-generational families who had been living in little better than mud huts proudly show off new, nest white homes with plumbing, electricity and small gardens. The homes are linked by a and health facility.

A second type of project is one that generates revenue. In the last five years, 40,000 such projects have been sponsored. The majority of these (70 percent) have been for agriculture, but they also include projects for artisans, beauticians and, in one case,

carnels to tourists. A third type of project involves the development of local associations. Community groups chose the kind of assistance they want and establish priorities for its disbursement. There are 794 development communities today with 5,800 members, 900 of whom are women.

Finally, there are what Mr. Ben Abdallah calls "accompanying projects." The installation of computers in the country's

poorest school districts is one of these. Another is the construction of public showers in rural areas that lack adequate

Tunisia has been export-minded for 3,000 years, thanks to its 1,300-kilometer (808mile) coastline. Half the country's GDP is linked to exports (\$6 billion a year, four times the figure of 1987). Manufactured products and tourism represent 75 percent of the total, with textiles and leather alone taking

U.S. Undersecretary of State Stuart Eizenstat admowledged these achievements in remarks to the Tunisian-American Chamber of Commerce last June. He singled out for praise the Tunislan government's visionary approach to the future of the Maghreb, including eliminating trade barriers within the region, and cited the government's role in

EXPORTS ARE A DEVELOPMENT LINCHPIN

"encouraging Tunisia's integration in the Europe, the country's number-one trading global economy."

Regional leader

Tunisia's exports to its neighbors in North Africa and the Arab states have grown from 352.9 million Tunisian dinars (\$392.1) in 1992 to 485.3 million dinars in 1997. The former now claim about 6 percent of exports. and the latter 1.7 percent. Within the region. Tunisians export twice as much per capita as their Moroccan neighbors and six times as much as Egyptians.

The lion's share of Tunisia's trade is with

partner. Between 1992 and 1997, Tunisian exports to the European Union soared from 2.77 billion dinars to 4.82 billion dinars. The European Union absorbs 87 percent of Tunisia's total exports, up from 51 percent in

High roiler

Recognizing Europe's importance, in 1995 Tunisia became the first country south of the Mediterranean to sign the Association Agreement with the European Union. The pact, which took effect on March 1, 1998, rep-

resents a gamble for the country. It entails the abolition of tariffs on industrial goods phased over a 12-year period, with some lowering of agricultural and service barriers. Tunisia is betting that the facilitated access to European markets will result in addition growth in GDP of 1 to 2 percent per year.

In return, Tunisia must open up some of its heretofore-protected industries. The EU is providing some money to help internal restructuring. Between now and the year 2001, some 2,000 companies will be upgraded.

'What we are doing is an ongoing process," says Moncef Ben Abdallah, minister of industry, energy and mines.

were made for a total value of AGRICULTURE AND RESOURCES TAP **New Know-How**

There is a healthy balance between city-dwellers and rural workers.

unisia's approach to farming and natural resources is consistent with its overall strategy for development steady improvement in productivity and self-sufficiency, but not at the cost of social disruption. When the country became independent in 1956, half the population worked in agriculture. Today less than 21 percent are farmers, producing 15.2 percent of the GDP.

"We want the total number of people working in agriculture to remain constant at today's figures, about 550,000 permanent workers," says Sadok Rabeh, minister of agriculture. The ministry's programs encourage small farmers (55 percent of the total) to stay in the countryside, in order to preserve the social fabric."

The country's main crops are olives, dates, citrus fruits, almonds, grains, sugar beets, grapes, poultry, beef and dairy products. Principal exports are olive oil (Tunisia is the world's second-largest exporter of olive oil after Spain), dates, citrus fruits, vegetables, fish and shellfish.

Self-sufficiency This year, Tunisia has set a goal of achieving self-sufficiency

in fruits and vegetables. Next year it hopes to do the same with milk, and with meats in 2000. "Education is key," says Mr. Rabeh. "We are improving productivity with education and training through the media

(radio and television) and field programs direct to the A major focus of the agricultural ministry is to encourage more investment in the transformation process for olive oil, canned and frozen fish, and farm products by developing

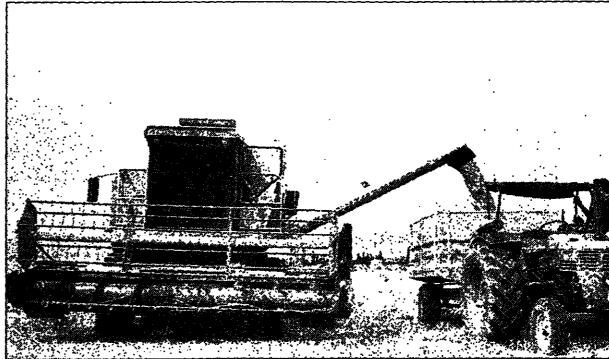
technology, marketing, and production methods locally.

For example, says Mr. Rabeh, "we would really welcome an Italian olive oil producer to set up a production facility excellent olives."

Saving water

Another focus of agricultural policy is the lowering of per capita water consumption. In Europe, the average is 50 percent consumption of water supplies; in Tunisia it is 80 So there are programs to teach farmers newer methods and stantially. financial incentives to persuade them to change. These efforts are producing good results, reports Mr. reserves

blown north by the scirocco from the south. The country is energy and mines. C.F. underwriting the major infrastructural work of building



irrigation canals and is offering financial incentives to mobilize the private sector in this area.

Tunisia's war against "desertification" takes place in the context of environmental awareness and a national strategy for sustainable development, in accordance with the principles of the 1992 UN conference in Rio de Janeiro, Brazil. Relevant government ministries - from industry to tourism - develop their policies to protect the natural elements (air, water, soil and biodiversity) while improving the population's living conditions.

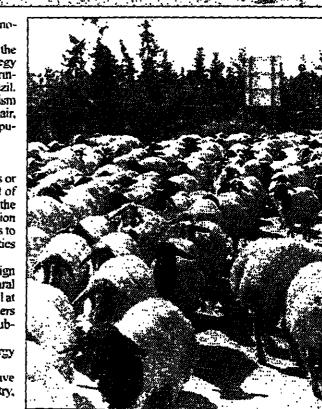
Financial incentives

Non-Tunisians who want to buy into agricultural projects or natural resource development may own up to 66 percent of the capital investment for private agricultural activities, the modernization of existing processing plants, and the creation here. They have the best know-how for olive oil, and we have of new plants. The government offers financial incentives to investors. Last year, there were as many farm activities created in Tunisia as energy firms.

The energy sector accounts for more than half the foreign investment in the country. Tunisia is self-sufficient in natural gas and will maintain its positive energy trade balance until at least 2000. The country is one of the world's largest exporters percent. Some of the loss stems from old irrigation methods. of phosphates, while lead and zinc output is rising sub-

Yet Tunisia's plans for growth do not rely on its energy

"We don't have a lot of natural resources, but we do have A third focus is fighting the advance of the Sahara desert, ambition," says Moncef Ben Abdallah, minister of industry,



C.F. Rural life is a harmonious balance between nature and technology.

TUNISIA AT A GLANCE

163,610 square kilometers (63,170 square miles)

9.25 million (current estimate)

Population growth rate:

1.48%

Per capita income 2,160 Tunisian dinars

(one dinar is currently about \$0.90)

erage growth rate at constant price (1962-1997):

5.1%

This country of 9 millio people is strategically located at the geopolitical crossroads of Europe, Africa and the Arab world. It boasts steady economic growth, reduced inflation and a a free-marke economy. Industry privatization and a high under way -- a boon for investors. Tourists, too. find plenty of cultural, natural, and retail-related Clockwise from top left: the agriculture and hightech industries; historical beauty; the cities of Tunis, Sousse and Bizerte; the

















Tunisia's geographic origins are African, its commerce European and its outlook multinational.

n remarks to the Tunisian-American Chamber of government for "this solid economic performance."

ii Mr. Eizenstat is not the only person to call attention to the accomplishments of this amis bitious country, located on the African continent only 140 kilometers (87 miles) southwest of Italy. The 1998 Report on Competitiveness in Africa, published by the World Economic Forum at Davos, Switzerland, ranks Tunisia as the second-most-competitive among African countries (after Mauritius) and the top overall for the quality of its

The same report notes Tunisia's high standing in the United Nations Human Development Index and says that the strong correlation between the two rankings "illustrates the Zine El Abidine Ben Ali, strong benefits in human well-being of na- Tunisia's president. tional competitiveness."

The Heritage Foundation of the United States classifies the Mediterranean basin." Tunisia among countries with a "liberal economy" that has relatively low taxation.

Solid growth

GDP per capita is more than 2,000 Tunisian dinars (the dinar, pegged to the U.S. dollar, currently equals about 90 U.S. cents); the government aims to triple that figure over the next decade. The medina economic power, up from its current position at number 70. The country's purchasing power parity (PPP) is already above \$5,000 per capita, bringing it reasonably close to that goal.

Government officials estimate that GDP will grow 5.4 percent this year. Indeed, GDP has grown more than 5 percent a year in constant prices since 1962. This year-overyear consistency has drawn the interest of investors not only (Queen Dido in 814 B.C.). The public transportation system from France — Tunisia was a French colony from 1881 to 1956 — but from all over the globe.

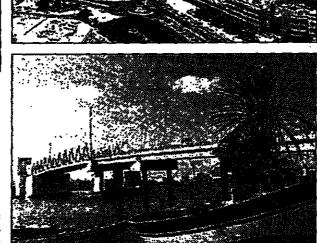
On March 1, 1998, a free-trade agreement between Commerce last June, U.S. Undersecretary of State Tunisia and the European Union came into effect, Tunisia Stuart Eizenstat called Tunisia's economy "a model was the first country south of the Mediterranean to sign this for developing countries" and credited the leadership of agreement three years ago. The country is also a founding President Zine El Abidine Ben Ali and the Tunisian member of the World Trade Organization and benefits from reduced tariffs on manufactured goods, agricultural products
and handicrafts with the United States, Japan, Switzerland and Australia.

U.S. investments alone increased 31 percent between 1996 and 1997, says Mohammed Ghannouchi, Tunisia's minister of international cooperation and foreign investment. Yet Tunisia is more than a businessminded trading partner: it is a country of more than nine million people strategically located at the geopolitical crossroads of Europe, Africa and the Arab world.

"Geographically we are part of Africa," say ministers and business executives in private conversations. "We share our religion with the rest of the Arab word. But our most important economic relations are with Europe, and our cultural affinity is with the other countries of

A walk around Tunis, the capital, substantiates these observations. The city's modern district is clean and bustling, with sidewalk cafés, shops bearing international brand names, eans-clad strollers and even a home-grown hamburger outlet. It resembles many other Mediterranean port cities.

By 2015, Tunisia would like to be in the top-50 ranks of world In the medina — the old walled city, with winding alleys and souks overflowing with carpets and camels (the carved variety) -- merchants ply their trade in a number of languages, reflecting the country's past as a prize sought by conquerors from many lands and cultures. Women - whether shopkeepers or customers — are not singled out for unwanted attention, as befits a country founded by a woman



FOREIGN GIANTS SET UP SHOP

Whether in textiles, technology or another industry, 1,600 companies are at home here.

hy did we come here? It's because of the business climate." Achille Rachello, CEO of Benetical) Tunisia, acknowledges that the country's low way structure and proximity to Italy were factors in his company's decision to set up a formal operation in 1995, but he emphasizes the decisive importance of the government's attitude toward business.

"Tunisia understands that it can have a great future with foreign companies. The government is investing in infrastructures to help foreign companies because that way the country acquires know-how," he says.

Benetton is one of more than 1,600 foreign companies with direct investments or joint ventures in Tunisia. Italian companies top that list, followed by American, British and French firms respectively. Benetton is one of 350

Italian companies m Tunisia, many concentrated in the textile industry. It has 50 Tunisian production sites and employs, directly or indirect-3,500 people.

We were drawn by the lower cost of labor here and the fact that workers can speak French," says Mr. Rachello. "We started by doing work for one Benetton division and nov we do work for all five." .

Engineers and polyglots For German technology giant Siemens, Tunisia's attractions include its political and economic stability, relative proximity to Germany, and qualified local work force that speaks up to four languages (Arabic, French, English and German).

"Low cost isn't the only reason to come here," says René Buchler, director of Siemens's ETTAS (Entreprise tunisienne de télé-"Үоц communication). can find low-cost labor elsewhere. We have built our competence on young Tunisian engineers who have studied in Germany, thanks to a government program that supports 30

such students per year." Siemens has grown from 10 people in the early 1990s to 70 people today, of whom 45 are engineers. This year Siemens created a second company in Tunisia, a training facility on the coast not far from Tunis, where "four-star quality at attractive prices" is available, says

Mr. Buchler.

Dhamir Mannai, president of Cynex, an offshore company in the high-tech industry, cites factors that drew him home from the

throughout Europe, as well as accessibility and technical

We are looking for long-term relationships so we don't

"You don't have to go around with bodyguards in this Claudia Flisi

of the International Herald Tribune. It was sponsored by BNDT, BDET, ETAP, BNA, STR, BH, UIB, the Office des Ports Nationaux Tunisiens and the Groupe Chimique Tunisien. WRITERS: Claudia Flisi, based in the south of France and reporting from Tunisia, and Joel Straite-McClure, - based in the south of France. PROGRAM DIRECTOR: Bill Mabder

been Tunisia's minister of industry, energy and mines since October 1997. Before that, he held a number of executive positions in the government and industry. He has been a consultant to the training. World Bank and the United gram, and has university degrees in engineering and

> "investor-friendly." What factors contribute to this? First of all, the political parasocial stability. Two-thirds of cial policies.

Then there is the agreepean Union that will give economy? Tunisia liberal access to the our economy for the last 10 cent of GDP; industry alone all these areas. years. Investment is deregulated, foreign trade is 95 prices are deregulated (with the exception of certain sec- our 12,000 industrial compators such as oil and food nies, and industry accounts have good workforce prosectors of the market.

business investments, be it spirit. This is all good news labor costs and productivity. by Tunisians, non-Tunisians for investors.

Moncef Ben Abdallah has or joint ventures. All benefit from fiscal policies, aid for employment, and incentives for investing in certain development zones.

Tunisia's business cli- the active workforce. Our lit- companies are involved, and

One of our objectives is to meters: we have political and create 60,000 training positions a year in all disciplines. our citizens are middle-class. Given the demand for emand our political class is quite ployment training, estimated homogenous. We have en- at 65,000 per year, we should lightened economic and so- be able to close the gap within a few vears.

ment signed with the Euro- dustrial sector to Tunisia's not only for the cost of labor and the companies taking up

The industrial sector - in-European Market by 2008. cluding industry, energy and ter We have been liberalizing mining -- represents 25 per- Tunisia is well-positioned in accounts for 18 percent of that, as well as 18 percent of especially in comparison

Europe?

What are the country's spent for modernizing, communications. Nations Development Pro- strengths in human re- renovating and improving the quality of products and We probably have Africa's personnel, as well as improvhighest percentage of edu- ing commercial activities and cated and trained workers in marketing. Thus far, 310 mate is often described as cracy level is high, and our they are the largest in the "investor-friendly." What poverty rate, at 6.2 percent, is country. By 2001, some 2.000 enterprises will be participating, including small-to medium-sized enterprises (SMEs).

In the competition for investment capital, how does Tupisia rank?

We regularly compare ourselves to Eastern Europe, How important is the in- the Mediterranean and Asia, but for the cost of production

Our salaries are average, percent deregulated, and employment Fifty national- with Asia, but we are on the percent of maritime busiities are represented among low side compared with Eastern Europe. And we staples). The state is with- for 85 percent of total ex-ductivity. Currently there are certainly and also within the graphes). The state of the second state of the that there is industrial devel- producing in Tunisia for ex- more competition for the port Tunisia's single code of in- opment in Tunisia, as well as port; they are generally sat- and airport so that importers Tunisia 5 single concorni opinion in the content in the content opinion opinion opinion opinion is field with the ratio between and exporters will have the Tunisian companies benefit cement industry will be envestment gives freedom for a developed entrepreneurial isfied with the ratio between and exporters will have the Tunisian companies benefit cement industry will be en-

How is the country pre- electricity. We were a little bit paring to compete with expensive for transportation, so last year we restructured We have spent \$800 million the transportation sector to upgrade our industries and maritime transport and ser-Plus, we have invested therefore expect to reach an vices — and now we are heavily in education and estimated \$2.5 billion by seeing those costs go down. 2001. The money is being The same is true for tele-

> How have you brought down transportation costs? The transport of merchandise had been largely privatized. The state no longer invests in

> > Tunisia's single code of investment gives freedom for business Tanisians, non-Tunisians or joint

the transport of merchandise, the slack are newer, faster. items such as electricity, wa- more flexible. The state reand transportation mains in the area of passenger transport with CTN (Compagnie tunisienne de navigation), but this group represents no more than 30

Most of our commercial best service at the lowest pos-We are competitive for sible prices.

We have special tariffs for improve their distribution, companies that export at least 80 percent of their produc-

Tunis Air is developing well. A new private airline for freight, Mediterranée Air Service (MAS), began operating late last year. Air freight traffic is still weaker The main products transported are textiles, electrical equipment, agricultural products and seafood. Textiles have tradition-

ally been the country's leading industry. Is that still the case? If so, how is the industry evolving? Textiles are the certainly owned companies left. These Tunisia's leading industry in are either in monopoly marterms of numbers of companies. There are about 2,500 portant companies that will companies, employing about remain in state control (elec- support, 220,000 people, i.c., 12 per- tricity, water, railroads). cent of the workforce. Tex- Companies will remain in of exports. This is a very competition in order to pro- that here," says Mr. Mannai. dynamic, competitive sector. tect the economy and the Per capita, we are the num- consumer. ber-one textile producer in the world - \$287.00 per

person per year. Our objectives are to consolidate this sector, integrate Spanish and Portuguese buyprocesses like spinning and ers. Starting this month, we finishing, and improve pro- will be preparing to sell off the ductivity by specializing in three remaining important cevalue-added operations. We ment factories. Given the are doing this through a com- preparatory work that needs bination of training, promo- to be done, we expect to have tion, and partnerships. those sold by mid-1999. The from financial incentives tirely privatized.

when they invest abroad to

for example.

How is your privatiza-

tion program faring? Between 1988 and 1997, we privatized 100 companies. An acceleration began in 1996, with 25 companies per year being privatized since than. By 2001 we will have than we would like, however. completed our privatization program. There are 160 to 170 companies left to privatize in the competitive arena (i.e., a sector where there are several companies produ-

After 2001, at the end of our ninth economic plan, there will be about 30 statekets or are strategically im-Last year we began privat-

izing our cement industry. The two largest cement plants were sold in the last month, to

Interview by C.F.

'A COUNTRY THAT WORKS One of the documents gl OGNES PO

STORE HANNING

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Uso, investors can choose a

restricted; exceptions relate to public health and safety.

United States. In addition to the relatively low cost and high quality of engineering talent and the reliability of the telecom quality of engineering talent and the renaming of the control infrastructure, he finds the lifestyle and location important for his work.

Tunisia is a pleasant place to visit (for our customers), and our engineers can live well," he says.

Compatible and accessible

The geographic location means time-zone compatibility

And the Mediterranean culture is important, tiles also represent 45 percent state control when there is no have to spend a lot of time on marketing. And you can find

In addition, he says that Tunisia's large middle class and effective state institutions ensure social stability.

"TUNISIA" was produced in its entirety by the Advertising Department

TUNISIA

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Mary Comments

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ENDLESS TOURISM VARIETY

Tunisia has 20,000 cultural sites and 400 official festivals each year.

works from Carthage during the age of its says Fakhreddine Messai, director of the

Cultural events like these help a country's can't be a monopoly."

can't be a monopoly."

in October, Philippe Bourguignon, the in October, Philippe Bourguignon, the president of Club Méditerranée, met with Mr. president of Club Méditerranée, met with Mr. most famous general. economic and social development by promoting tourism, creating jobs and encour-

Hing investment.
We have had many ministerial meetings on how to harness museums, culture and ence in the country. economic growth," says Abdelbaki Her-massi, Tunisia's minister of culture. He has plenty of raw material to work with: his country has 20,000 sites of cultural interest, 400 recognized festivals a year, and its capital city, Tunis, was designated a "cultural cap-

ital" by UNESCO in 1997. Culture's coattails obviously have had their effect. Visitors to Tunisia increased 10 percent to 4.4 million last year, and generated \$1.6 billion. Although that total is only 6 percent of the country's GNP, the industry employs 300,000 workers directly and indirectly and is a major source of foreign

Most tourists head for Tumisia's 1,300 kilometers (miles) of beaches, where the and personal safety assured. Their principle and was sold out," notes a tourism official. climate is warm, the environment unpolluted entry points are the airports of Monastir (Africa's leading airport for charter flights) and Djerba. The capacity of both these air-ports will be doubled by 2001. The country's major point of entry, Tunis-Carthage Airport, will enlarge its passenger capacity by 50 percent (to 4.5 million passengers) by the end

visitors to attractions beyond the coastline, ness travel, so Tunisia is also developing a ture can play an important role. The interests of tourism executives, environmentalists, ar-chaeologists and historians come together in projects that can enrich the country in many

Anyone who has studied the grandeur of amphitheater in Africa — succumbed to the nourishes cohesion — the emotional and Carthage or El Jem — the largest Roman arms of Sidi Bou Said, or surveyed the psychic needs of our people." Sahara from a camel's seat knows that Punisia has more to offer than its beaches:

"The state encourages such investment [in annibal is likely to conquer Rome again in the year 2000. Rome is one stop in a three-country tour of artstop in a threeagain in the year 2000. Rome is one hotels and tourist facilities near cultural

> Messai to discuss an enlargement of Club Med's considerable and long-standing pres-

"It's been a good relationship for both of us," says Mr. Messai, "which is why we are eager to develop it further."

Oscar winners Tunisia's film industry is also being developed. The country's lumar landscapes were first seen by international audiences in the "Star Wars" trilogy, and since then a succession of European and American productions have been filmed here.

"We have the infrastructure, laboratories, access to cultural sites, and a trained staff that is not unionized," explains Mr. Hermassi.

The Oscar-winning "English Patient" was filmed in Tunisia, and its success spawned a 21-day tour that traced the steps of the film. "The tour was a complete cultural package In the next three years, the Tunisian Tourist Board intends to initiate a project for a major convention center in Tunis. In this way, the country can vie for more international convention and incentive business. Tunisia already has the high quality lodgings appropriate to such business — 40 percent of its hotels are four- or five star.

Cultural opportunities complement busion of Tunisian cul- computerized cultural map and a compu-

Yet the country's underlying draw is not based on infrastructure improvements. The preconditions for successful tourism are stability, peace and good service, according to

"The true importance of culture is that it Mr. Hermassi

So Hannibal's tour will begin, appropriately, in Tunis.

TEMPTATIONS AT THE TABLE

lthough the name on a menu suggests a leaden lump of indigestible food, a Tunisian brik has nothing to do with its English homonym. It is a staple of Tunisian cuisine: a flour dumpling or pastry that changes according to its filling and the caprice of the chef. Variations include cheese, nina, hard boiled eggs, beef, chicken or lamb. A brik may be light enough for a dinner appetizer but can be substantive enough to serve as a satisfying quick lunch.

Briks - and copious glasses of sugared mint tea - are ubiquitous in Tunisian restaurants. Olives or olive oil are found in almost all dishes; citrus fruit, tomatoes, beef, lamb and poultry figure prominently in main and side dishes. Almonds, pistachios and other fruits may also make an appearance. such as lamb with prunes. Seafood is usually fresh along the coast.

Méchouia is Tunisia's national salad, prepared with finely-chopped tomatoes and peppers seasoned with lemon. It is usually served as an appetizer, as is tajine, a mixture of eggs and other ingredients such as spinach, lamb or cheese. Chorbas are spicy soups, with or without harissa, an accompaniment of hot peppers.

Couscous is a well-known North African export. In Tunisia, couscous au poisson (fish couscous) is a specialty at seaside resorts. Markas, or stews, a combination of beans, tomatoes and meat or chicken, are more earthy but no less delicious. Merguez is a spicy sausage of lamb or beef that crops up

often in main dishes. Dates, fruits and the honey-sweetened pastries of the Arab world appear regularly

as dessert offerings. Malouf music is a frequent dinner accompaniment. It is a combination of lute, violin and tambourine heard as frequently in the restaurants of Tunis as gypsy violins are

Tunisian dining also boasts hospitable serin Budapest. vice and cultural diversity. Jewish-Arab dishes, for example, have a special place in Tunisia's culinary repertoire. Although the identifiable. A menina is similar to a Lebyou covet. Open every day but Sunday. C.F.

anese mezza. an appetizer consisting of small dishes of beans, salads and eggs. Boutargue, pressed fish eggs eaten in slices with lemon, is similar to the Italian bottarga. Akoud is tripe stew with tomatoes. Osbane, a sausage served with sauce or couscous, is

similar to the French andouillette. Abou Nawas Tunis, Av. Mohamed V, 1002 Tunis, tel. (216 1) 350 355: This is one of the city's leading hotels, with four restaurants and an international clientele. The hotel's kitchen really shines at breakfast. Orange

juice is fresh-squeezed; the breads, rolls and

croissants are freshly baked; omelettes are

made to order, and there is a profusion of

fresh fruits. Halvah and honey pastries tempt the early-rising sweet tooth Le Duc, 7 bis ruc Gandhi, tel. 350 020: One of the city's better Jewish-Arab restaurants. Dishes are flavorful yet unpretentious. Closed

Friday evening and Saturday at noon. Dar el Jeld, 5 rue Dar el Jeld, Tunis, tel. 260 916: The name means "house of leather" in Arabic, and this restaurant was the home of a Tunisian leather merchant in the 18th century. It was transformed into a restaurant 10 years ago and is now one of the city's most elegant eateries. The decor is sumptuous decor and the service impeccable.

Le Grand Bleu, av. Taïb Méhiri, Gammarth (a coastal town 20 minutes north of Tunis), tel. 469 00; Close your eyes and you could be on the Cote d'Azur or the Costa Brava. There is nothing Tunisian about this seafood restaurant except the prices - onethird to one-half of what you'd pay for comparable quality in the Northern Mediterranean. The food and service are up to top international standards. It's a meeting place for movers and shakers from nearby Tunis.

Les Galets, 69 bis av. Taieb Mhiri (facing the Belvedere gardens), tel. 796 359: This modest-looking bakery serves some of the best baklava, almond cakes and k'taifs (marzipan-based sweets) in the city. Rather than try to pronounce the names of the more esoteric varieties, just point to the temptations



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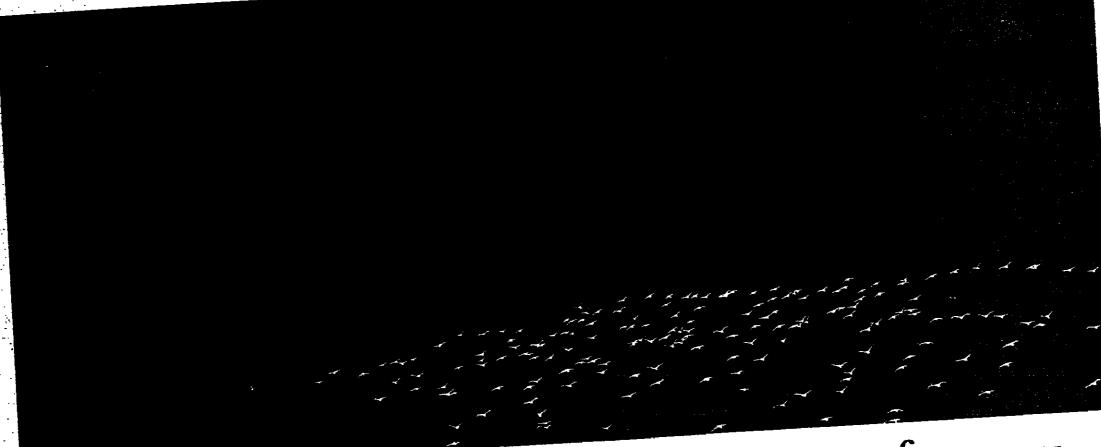
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WOMEN ARE THE DAUGHTERS OF DIDO

Tunisia's distaff make the entire country productive — and proud.

unisia's respect for Zine El Abidine Ben Ali, the sexes is rooted in its amended in July 1993. history. The founder of Changes included obliging Carthage, the city-state that spouses by law to treat each became the country now other with respect and to help known as Tunisia, was a each other in managing the woman. Queen Dido of household and taking care of Phoenicia came to northern the children. A mother's con-Africa in 814 B.C. after her sent is now required for the exile from Tyre, and, in the marriage of underage daughwords of Virgil, founded a ters. A fund was created to city "rich in wealth and harsh ensure alimony payments in the pursuit of war."

Kahena, a seventh-century in enforcing women's Berber princess, was an- rights other major historical figure. A sort of Tunisian Joan last few years include grantof Arc, she rallied her ing child support to divorced vasion of the period and the children; allowing both resisted the attacking spouses to take out a personal Rabe armies for four years at El loan for the purchase of the ture. Jem. Eventually she was family home: standardizing betrayed by a young lover criteria for the granting of who cut off her head and social welfare benefits: and brought it to the enemy.

flourished elsewhere in acveloped a marriage contract have been made more stipulating that a husband severe. could not take a second wife or a concubine without the express consent of the first wife. Tunisian scholars sughave been a deliberate choice in Kairouan. This type of marriage contract endured for 1,200 years.

polygamy, institutionalized serving in elected and apgal divorce, recognized pointed government jobs. both spouses' right to seek contingent on their consent.

One year later, in 1957,

to vote.

equality between the Code of Personal Status was and child support to divorced. Female role models con- women and their children. tinued through the ages. La Also, the state trained judges

Other liberalizations in the granting Tunisian women At the beginning of the married to non-Tunisians the eighth century, as polygamy right to transmit the mother's nationality to the children, cordance with Muslim be- with the father's consent. liefs, the city of Kairouan de- Penalties for spousal abuse

Planning family size

Today, policewomen on the streets of Tunis and in the gest that monogamy may military are a visible sign of the degree to which Tunisia encourages the full participation of women in society.

Women make up almost Contemporary perspective university professors, one-Modern progress dates from third of physicians, almost 30 cade ago. The number of 1956, when the country percent of higher-level magirls in higher education has achieved independence. The nagerial staff in government more than quadrupled in the very first act of the new jobs, almost one-fourth of same period.

Tunisian Assembly under the professional journalists, Par
Although the number of Tunisian Assembly under the professional journalists. Par-Habib Bourguiba was to in legislative elections quadadopt the Code of Personal rupled between 1989 and Status, which abolished 1994, and more women are kept pace with demand. polyganny, institutionalized serving in elected and ap- "We try to hire as many

divorce, and set the age of 17 not surprising that population Cynex, an information tech-

the standards of far more in- in Europe." Under current president dustrialized nations. "Wom-



people against the Arab in- women who have custody of en who work want fewer says Sadok Rabeh, minister of agricul-

Educated class

Education is key to the full integration of women into Tunisia's economy. "Improvements in the health system, clean water, schools, social services must all be in place," says Mr. Rabeh. He notes that the importation and sale of contraceptives is

School enrollment for sixyear-old girls now stands at 99 percent, the same as for boys, and the dropout rates among female students have declined at all levels of education. In primary school, girls constitute more than 47 30 percent of the country's percent of the student body, up from 44.5 percent a de-

leadership of then president ticipation by women voters women engineers is increasing, in Tunisia (as in other countries) supply has not

women as possible," say Given these changes, it is Dhamir Mannai, president of as the minimum age of mar-riage for young women — growth is slowing. nology firm. "It's still hard because there are not that nology firm. "It's still hard percent in 1986 to 1.6 percent many women engineers, but this year, the lowest on the one of our installers is a women were given the right African continent and low by woman and that is rare even





GETTING WIRED IS A CULTURAL THING

xactly one year ago on November 7, 1997, Tunisian, president Zine El Abidine Ben Ali announced that all president Zine El Abitune pen can acceptant centers, colo of the country's high schools, research centers, colo of the country's high schools, research to the Interset by leges and universities would be connected to the Internet by 2001. This was an ambitious undertaking, given that last year there were only 110 Internet connections in the country. But

where there's a will, there's a way.

"Our president is very interested in this area, and it makes our work a lot easier," says Ahmed Friaa, Tunisia's minister of communications. By the end of this year, "connectivity" will have increased a thousandfold.

Interest in the Internet doesn't come only from the top down however. Mr. Friaa describes computer installations in the Sahara, where the young and the curious explore the Internets "We will have increased spending 10 times in 10 years,"

says Mr. Friaa. "We recognize the importance of connections with the rest of the world." Infrastructure development includes the opening of the country's first GSM network on March 20, 1998. By the end of this year, there will be 50,000 lines (up from 30,000 in January), and plans call for a total of 200,000 lines by 2001.

Not only has the infrastructure grown, but the quality is reliable. We have seven phone lines and 34 engineers on line to the United States all the time and have no problems. says Dhamir Mannai, the American-educated president of Cynex, a high-tech firm with offices in Tunis and the United States. "We can buy our equipment anywhere in the world.
We choose to buy it here because we can get what we want and at a better price."

A second element is restructuring and privatizing the sector. The administrative and legislative underpinnings for this have been laid, including separating the post-office functions from telecommunications. Tunisia also signed as

agreement with the World Trade Organization in which agrees to take the necessary steps for privatization.

The ministry has set up 3,000 Publitel facilities nationwide. These are small para-governmental offices for telephones and faxes that offer Tunisian citizens greater proximity and longer hours than the post office. They also create employment for 8,000 people.

Decaf cybercafé

A comparable program, created in June 1998, is called' Publiposte. Each of 11 satellite offices to date offers post. office boxes, mail services, telephones and fax equipment,

Internet access is in the works.

Sonia Karoui runs a Publiposte office in a working-class section of Tunis. One of the program's four women managers." she is enthusiastic because the project has given her the chance. to manage a small business right after her university studies.

Publinet will be a national network of 100 cybercafes—without the cafe," notes Mr. Frian. Loung people will be. recruited as managers, and 50 percent of the business costs will be financed through low-interest loans. Here, too, the program is designed to provide a needed service and create jobs.

The third element in Tunisia's communications strategy is, to foster what Mr. Frisa calls the "culture of telecommu." nication." To encourage this, the government lowered telecom-costs for business by 75 percent between 1997 and 1998.

Residential costs have also dropped dramatically. The monthly household charge is now 30 Tunisian dinars (\$33) and per minute costs have dropped from 70 to 30 U.S. cents: a minute. These reductions occurred not because of the threat of immediate competition, but because "ours is an approach." of social coherence," explains Mr. Friaa proudly.

Another initiative is Tunisia's first technology park. Located in a suburb north of Tunis, it will boast intelligent buildings and an "incubator" for startup companies. "Just." like Silicon Valley," says Mr. Mannai of Cynex, who will be the park's first occupant in January 1999.

TRAINING A COMPETITIVE WORKFORCE

A nationwide effort focuses on training students, workers, managers and the unemployed.

rather than short-term "hot fidence." money," said Donald John-

needs today is former is what secures a growth.
"patient capital" sound basis for investor con- A pri

Tunisia serves as a role tional Cooperation and De-veloped with an eye on di-velopment (OECD), in a versification and steady — The main objectives of

hat the world speech last month. "The rather than overly speedy — program are to help Tunisian needs today is former is what secures a month."

Organization for Interna- Government policies are de- companies meet the challenge The main objectives of the

A prime example is the competitive in price, quality country's \$2.5 billion program and innovation, and to help to upgrade industry, launched them develop their marketson, secretary-general of the model for patient capital, in 1995 to help domestic ing savvy. There are two interlocking

aspects to the program: upgrading companies' competitiveness and upgrading the business environment in which they operate. A key to both is education and training - of students, managers, workers and the unemployed.

Deducting the costs Moncer Rouissi, minister of employment and vocational

training, describes a range of programs to address each of these groups. One, introdeduct the estimated costs of settlement.

Mr. Rouissi, "350 companies from groups of enterprises, offered training programs, not the government. and most of these were publicly owned. Last year, 1,000 proved, a mixed committee companies were doing train- of government and private terial job is included!"

We are the world: Tunisia's children are already an educated, multifingual part of society — the future private- and public sector leade

Pragmatic philosophy duced in 1995, allows The philosophy underlying

companies immediately to Tunisia's approach to training is pragmatic consensus rather training, with an end-of-year than dogmatic views about market forces. The demand "Before this reform," says for training centers comes

Once a project is ap-

ing, and most of these were in participants implements it. An organized approach to training requires job descriptions, so Tunisia is making a

national classification of them, with 2,300 job listings and a detailed description of each one. This project will be completed next year.

very few countries in the developing world to have such a nomenclature," says Mr. Rouissi. "Even my minis-

Another example of pragmatic consensus is the National Employment Conferbehest of President Zine El Abidine Ben Ali.

was preceded by regional and sector-based confer-"I believe we are among ences, with 1,000 companies ference, participants signed a and databank. National Declaration on Em-

ployment and agreed to develop a long-term strategy. Unemployment in Tunisia ence held last July at the currently stands at 16 percent

Specific proposals will be The national conference introduced by the end of this year. These will include cocouragement of investment, emphasis on productivity, and 8,000 young people par-ticipating in preliminary re-market and the creation of an search. At the end of the con-

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Section 1

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TOM NEW YORK

THE WAR

A COMPETITIVE ECONOMY

Computers are part of the landscape, whether in the metropolis, agricultural districts or the desert.

Continued from page 22

is efficient and inexpensive,

Reform-minded president Many of Tunisia's advances have taken place since 'Orderly liberalization' term for the presidency (now role of women in the de-

can do so safely day or of the economy, established the standards for democratic political behavior in Tunisia Large middle class

November 7, 1987, when Social, financial and eco-

President Ben Ali took of- nomic reforms have fol- (nearing 70 percent) and defice. Among his first acts lowed, with special priority clining poverty level (6.2 were the abolition of a life given to education and the percent). a president can be elected for velopment of the country. At force the country's social stano more than three five-year the same time, care is taken to bility, one of its greatest atterms), the release of all ensure that the social fabric tractions for citizens, invespolitical prisoners, and the of Tunisia is undisturbed. tors and tourists alike. creation of new political "Ours is a process of orderly

parties. A year later, the Na-liberalization," says Mr. tional Pact was signed. This Ghannochi. "Social progress document, developed by rep- will flow across all strata of but those who care to walk resentatives from all sectors society, with no one ex-

Proof of success are the country's large middle class (60 percent of the population), growing literacy rate

All of these factors rein-

sites, like one dealing with the Tunisla Water

DOZENS OF WEB SITES INFORM, ENLIGHTEN AND ENTERTAIN THE SURFER

One convenient way to visit Tunisia is at your desk, by surfing the Internet. There are more than 40 Web sites that focus on Tunisia.

The BikeAbout site (www.bikeabout.org), for example, provides a view by four American cyclists who recently toured the country during their circumnavigation of the Mediterranean Sea.

Another site gives information on an archaeological dig at Bir El Djebbana that a team from the University of Alberta is conducting. Other Websurfing opportunities: ways to fly MiGs in the Sahara desert, UNESCO lists World Heritage locations in Tunisia, and the ins and outs of buying carpets imported from the country.

Water forum to water sports

Information ranges from general pages devoted to sports, education, travel and business, to specific

Forum and another providing details about the news reports can be found in English and French at National Solidarity Fund.

In English & en français One of the most popular English-language sites for general information — with pages allocated to history, the environment, political life, women, the economy, culture and tourism - is Tunisia Online (www.tunisiaonline.com).

Another site, www.tourismtunisia.com, provides illustrated tourism and travel information. English-language economic investment information is available at www.investintunisia.com.

Detailed English- and French-language information about the country's medium-term economic aspirations is at www.tunislaonline.com/development. Export statistics are at www.cepex.nat.tn.

mote requested news to subscribers, while daily

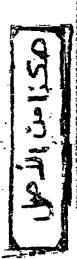
www.tunisiaonline.com/news/news.html. Among the Arabic on-line dailies is "Alhorria" at www.tunisleinfo.com/alhomia.

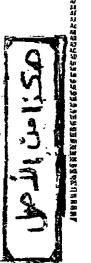
A major source of Internet traffic and entertainment among Tunisians living abroad are the audio (www.radiotunis.com) and video (www.TunisiaTv.com) versions of football games played in Tunis.

Surfing the skies

Surfers can book flights on Tunis Air

(www.TunisAir.com.tn). On arrival into terrestrial Tunisia, it is easy to contact one of the domestic internet providers, including Agence Tunisienne de l'Internet (www.eti.tn), Global Net (www.gnet.tn) or Planet Some of the sites (www.tunisieinfo.com) pro-Tunisie (www.planet.tn).





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sister :

888 (5-3) at N.Y. Jets (5-3) It was milkely at the season's start to believe that this game at this juncture in the season would decide which team remains in first place in the AFC East division. But that is what is at stake. And more. For both teams, it is an attempt to keep a good and surprising thing going. The kicking game and field position give the lets the edge.

rediction: Jets, 23-20. Falcons (6-2) at Patriots (5-3) Jamal Anderson rushed for 172 yards and 3 touchdowns against the Rams last

..... NFL MATCHUPS

Sunday, and he is enjoying a Pro-bowl type season. The Falcons are 6-2 for the first time in club history and they rely on Chris Chandler's decision-making at quarterback, on Andenson's running and controlling the clock. But the Patriots have more bigplay people. Patriots, 21-14.

Bengain (2-6) at Jaguara (8-2) Jack-sonville hit its stride last week, thumping Baltimore, 45-19, in a road game. Now the Jaguars return home, where they are fearless and usually execute in exacting fashion. Cincinnati is a team that does some big things right and little things wrong. And it costs them dearly. Jaguars. 34-14.

Lions (2-6) at Engles (1-7) Here are two clubs spinning and toiling in me-diocrity. For Detroit, the biggest wee has been allowing too many big plays. For the Bagles, it is that and much more. Barry Sanders, who with a rushing touchdown can earn the 100th of his career, at least makes this struggle bearable. Lions, 17-14.

Cotts (1-7) at Dolphina (5-3) Did you know that the Colt back Marshall Faulk is the only player in the league with at least 500 rushing yards and 500 receiving yards? Those kind of achievements are often lost when your team is 1-7. The Dolphins will blitz frequently against quarterback.
Peyton Manning. Miami is fuming
after being foiled at Buffalo last Sun-

day. Dolphins, 33-9.
Saints [4-4] at Villings (7-1) The Vikings can hit you hard for big gains that are crushing. They lead the league with nine 40-yard touchdowns from scrimmage (6 rushing and 3 passing). The Saints average only 281 yards a game on offense but Minnesota averages 375.8 yards. Vikings, 44-14. N.Y. Giants (3-8) at Dallas (5-3) Dal-Bay. It most his las won the first meeting, 31-7, in a Packers, 26-20.

Monday night game on Sept. 21 when Deion Sanders returned a punt for a touchdown. Dallas can make it a sweep over the Giants and strengthen its hold on the NFC East division.

Cowboys, 24-10. rs (6-2) at Ravens (2-6) This is crunch time for the Ravens, who are watching a season of high hopes tumble into doom and gloom. They are better than this. Injuries and inconsistency at quarterback have hurt. The Ravens surprise. Ravens, 22-17.

Rame (2-5) at Boars (3-5) The Rams are in trouble, routed by the Falcons, 37-15, last Sunday and with as much trouble off the field as on it. Leadership is lacking within the club. The Bears have made wonderful strides

and keep it going. Bears, 20-16. Panthers (1-7) at 49ers (6-2) The 49ers come home to lick their wounds after being roasted at Green Bay and home is where their healing is. The 49ers are 11-0 at 3Com Park under Coach Steve Marincci. 49ers, 31-6.

Redskins (1-7) at Cardin Hail to the Redskins! They finally won game, beating the Giants, and now look for another victory in their first meeting against this divisional rival. Too bad. The streak stops at one. The Cardinals appear to be the last hope of catching Dallas in this stumbling di-vision, and they won't let the Skins stand in the way. Cardinals, 26-17. Chiefs (4-4) at Seahawks (4-4) Kan-

sas City has won seven straight over Seattle but it will be difficult to make it eight. The Chiefs have trouble runming the ball and scoring in the Red Zone. Seahawks, 24-16. Chargers (3-5) at Bronces (8-0) A

team can't turn the ball over against Denver and have any chance. The Broncos are too good. Turnovers help make them nearly unstoppable. San Diego makes too many turnovers. Broncos, 37-17.

Ollers (4-4) at Bucc This could be the best game of the day. These two teams are meshing now and both have excellent chances to make the playoffs. This is a major hurdle for Tampa Bay, getting over 500. Buccaneers, 17-10.

Packers (6-2) at Steelers (5-3) This game will tell us plenty about Kordell Stewart and the Pittsburgh offense, particularly the passing game. Facing the Packers' stout defense and pass rush on Monday night and parred against Brett Favre, Stewart and his receivers must play their best game thus far this season to topple Green Bay. It most likely won't happen.

Free-Agent Time in Baseball

Ву Миттау Chass New York Times Service

NEW YORK - In the 23d year of Major League Baseball free agency, it is time to let the offers begin.

Beznie Williams, Mo Vaughn,

Randy Johnson and Kevin Brown, the elite of this year's market, and 130 other free agents could sign with any team be-ginning Friday. The Yankee third baseman Scott Brositis is not among the free-agent group because he and the Yankees have agreed to a three-year contract for 5.75 million.

After a season in which he batted 300 with 19 home runs and 98 runs batted in, then became the World Series' most valuable player, why wouldn't he want to stay with the Yankees?

Williams, the premier hitter in the market, has not seen an offer from the Yankees, who very likely want to wait to see what offers the market will produce from other teams. Scott Boras, seven-year contract for more also considering Arizona, Los the center fielder's agent, seeks a

York Mets bestowed on catcher the Yankees.

Mike Piazza. On the final day of the 15-day filing period Thursday, two other members of the Yankees added their names to the list, though provisionally.

David Cone and Darryl Strawberry still have 1999 options to resolve, but they protected their able next week. rights by filing. They cannot sign with another team before the options are acted on. Cone has until midnight Wed-

nesday to decide if he wants to exercise the \$5.5 million option in his contract. The Yankees have the same deadline to decide if they want to pick up the \$2.5 million option in Strawberry's contract. Of the four elite free agents, Vaughn is the only one who has said he would like to stay with his team, the Boston Red Sox. The

previous negotiating stance alienated the first baseman. made Johnson an offer, but he is

chances of that happening are

strictly up to the Red Sox, whose

than the \$91 million the New Angeles, Texas, Anaheim and

The San Diego Padres want to retain Brown, but Boras, his agent, will listen to all interested

Todd Stottlemyre is the most attractive pitcher below the Johnson-Brown top tier. Cone will jump in there if he becomes avail-

Albert Belle is in a different position from the other free igents. If he does not like the offers he receives, he can return to the Chicago White Sox and pick up his original contract with them. It guarantees him \$35 million for the next three years.

Nails' Calls It Quits

No more fidgeting in the bat-ter's box for Lenny Dykstra, The Associated Press reported from Philadelphia_ No more bits of tobacco flying

out of his mouth. No more



lienated the first baseman.

The Houston Astros have hitter, retired from the Phillies on hitter, retired from the Phillies on Thursday, of the Houston Astros have hitter, retired from the Phillies on Thursday, of the Houston Astros have hitter, retired from the Phillies on Thursday, of the Houston Astros have hitter, retired from the Phillies on Thursday, of the Houston Astros have hitter, retired from the Phillies on Thursday, of the Houston Astros have hitter, retired from the Phillies on Thursday, of the Houston Astros have hitter, retired from the Phillies on Thursday, of the Houston Astros have hitter, retired from the Phillies on Thursday, of the Houston Astros have hitter, retired from the Phillies on Thursday, of the Houston Astros have hitter, retired from the Phillies on Thursday, of the Houston Astros have hitter, retired from the Phillies on Thursday, of the Houston Astros have hitter, retired from the Phillies on Thursday, of the Houston Astros have hitter, retired from the Phillies on Thursday, of the Houston Astros have hitter, retired from the Phillies on Thursday, of the Houston Astros have hitter as a first hitter of the Houston Astros have hitter as a first hitter of the Houston Astros have hitter as a first hitter of the Houston Astros have hitter as a first hitter of the Houston Astros hitter as a first hitter of the Houston Astronomy hitter as a first hitter of the Houston Astronomy hitter as a first hitter of the Houston Astronomy hitter as a first hitter of the Houston Astronomy hitter of the Houston Astronomy hitter as a first hitter of the Houston Astronomy hitter as a first hitter of the Houston Astronomy hitter as a first hitter of the Houston Astronomy hitter as a first hitter of the Houston Astronomy hitter as a first hitter of the Houston Astronomy hitter as a first hitter of the Houston Astronomy hitter as a first hitter Thursday after failing to over- sumo wrestler, opening an exhibition game between American stars and the Yomiuri Giants in Tokyo.

Biking's Sponsors Shift Gears as Scandal Rolls On

come a back injury.

PARIS — That fellow with the boothe Tourist and the long fellow. gie-woogie tie and the long face at the Tour de France presentation

was Yvon Sanquer, who has spent the last four years trying to make chicken salad out of chicken feathers. Just as he seemed to be perfecting the formula, his laboratory was closed.
"Finished," he said. "It's over." He

tried a smile, which, with the loud tie, was meant to show that he was still in there battling. The long face said otherwise.

"The team is through," the directeur sportif of La Mumelle de Seine et Marne continued. "A pity. Maybe we'll return after a season away, but I doubt it." The sponsor was more than correct," he said. "They signed for three

years and then gave us a fourth. But in this climate, it's impossible to find a "This climate" is the doping scandal that enveloped and ruined the Tour de France this summer and that dominated the bicycle race's presentation in Paris

on Thursday. Known as the Festina Affair for the team that was expelled from the Tour for systematic use of illegal performance-enhancing drugs, the scandal is far from over. Team officials and riders continue to be questioned in the French

Vantage Point / SAMUEL ABT gave its name to the scandal, has taken a cities of Lille and Reims and some, like convoluted path: Its president, Miguel Rodriguez, said early in the Tour that if

Cees Priem, the directeur sportif of the TVM team from the Netherlands, have not been allowed by the courts to leave France and go home since July. At the highest level of the sport, the

reaction is still mainly talk, appeals to morality and plans for frequent and independent medical examinations of the racers, but no outpouring of funds to develop tests that can trace the synthetic hormone EPO, the more-sophisticated PFC and human growth hormone in blood or urine.

Sponsors, however, are beginning to move. Three French teams - Cofidis, BigMat Auber and La Française des Jeux - have pledged 1 percent of their budgets to drug control and have established a code of conduct that dictates the suspension and eventual firing of any rider found positive in a doping test.

Another sponsor, Casino, has announced its withdrawal after next season, a year earlier than previewed. The pho-tograph of one of its riders being led away and charged by the police with drug trafficking presumably did not move groceries for the supermarket chain. Festina, the Spanish watchmaker that

the sponsor stuck by the racers. Festina even boasted that the notoriety had been good for business. Then, late last month, the sponsor announced that while it would keep the budget

an intention to use drugs systematically

was proven, he would immediately ter-

minate his contract, which runs until

2001. But when team officials and five

riders confessed to just such practices,

steady at 35 million francs (\$6.3 million) a year, it would spend 4 percent of this in the fight on drugs, would concentrate on developing youth teams and would cut each professional rider's salary by 60 percent. Take it or leave it, the riders were

told. Some took, some left.

Out went such stars — and admitted illegal drug takers — as Alex Zulle, who joined Banesto in Spain, and Laurent Dufaux and Armin Meier, who moved to Saeco in Italy. Richard Virenque, the team leader, who consistently denies doping despite others' testimony to the contrary, refused the cut in his 12 million-franc annual salary and is nego-

tiating a new contract in Italy.

If his face wasn't so long, Yvon Sanquer would probably laugh at these developments. His team, La Mutuelle de Seine et Marne, was never accused of doping - it could barely afford aspirin, let alone EPO at \$100 a pop.

La Mumelle de Seine et Marne was

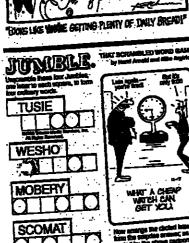
sponsored by a French health insurance company, which put up most of the annual budget of 6.5 million francs. That's small change in the sport.

Having so much less to spend, Sanquer worked with riders having so much less to offer. He initially built his second-division team around unproven youngsters and discarded veterans.

Told long beforehand that his sponsor would drop out at the end of 1998, Sanquer curtailed the youth program this season and relied on veterans, hoping they would win just enough times to attract a new bankroll. By the end of the summer, his plan began to work. In La Mumelle's colors, Gilles Maignan, 30, won the French time trial championship, Francisque Teyssier, 29, won the esteemed Grand Prix des Nations.

At last, La Mutuelle was rolling. 'Too late, too late," Sanquer said. "Maybe it would have been enough in another year, but now, where do you find a sponsor in this climate?'





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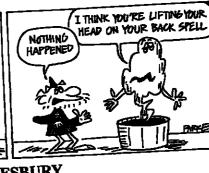












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Bleach Preparedness

MIAMI — No doubt you've been waiting to hear about my harrowing experiences during Hurricane Georges. The worst moment came when my body was being tossed around violently, attacked by savage, uncontrollable forces of ter-rifying power. This happened in the supermarket two days

before Georges arrived. Going to the supermarket is a tradition for us hurricane veterans in the Miami area. When we hear that a hurricane is coming, we calmly and efficiently implement our Hurricane Preparation Plan, which is: (1) panic; and (2) buy random

One thing we always buy is bleach. Even if we already have — and many of us do — 25 bottles of bleach at home, we buy more. We have no idea why; we never actually use it. Maybe we secretly believe that the hurricane is afraid of bleach. Or maybe Clorox hires actors to go to supermarkets, posing as hurricane veterans and loudly remarking, "After Hurricane Andrew, the thing that saved our lives was bleach!" Whatever the cause, there's always a desperate, shoving mob in the

bleach aisle, and if you're lucky enough to actually get a bottle, you must guard your shopping cart with firearms (which, in Miami, are sold in When a hurricane is coming, we (1)the firearms aisle). panic, and (2) buy random stuff.

Once you have your bleach, you race frantically around the supermarket buying a massive supply of Emer-

gency Hurricane Food, defined as "food that you will never actually consume, even if the alternative is to eat your sofa."
You find yourself fighting with people for the last dustcovered can of Del Monte Lima Beans With Prune Parts in Hearty Clam Broth.

The supermarket frenzy is one of the most dangerous times in any hurricane. I was almost struck by an elderly woman pushing a shopping cart containing bleach and at least 7,000 pounds of cat food at a sustained velocity of 28 miles an hour (the National Weather Service defines this as a "Category 4

Finally I made it home, where I implemented the next phase of the Hurricane Preparation Plan: watching the TV weather experts demonstrate, using meteorological science and state-of-the-art satellite and computer technology, that they have no

idea what is going on.

The irony was, I knew exactly where the hurricane was going. It had nothing to do with so-called meteorology: It had to do with my hurricane shutters. Hurricane shutters are metal panels that many residents of hurricane zones keep in their garages under a protective blanket of dead spiders. These panels are scientifically engineered such that, if you fasten them correctly to all your windows, you will have long bleeding gashes on both hands. Also you will guarantee that the hurricane will not come. A hurricane can, using its eye, see whether you have your shutters up, and if you do, it will go somewhere else, emitting powerful gusting chuckles.

The irony was, I knew where the hurricane was going.

Ordinarily, I would have had my shutters up, but as it happens, this year I ordered new shutters (the edges of the old ones were getting dull). As Georges was forming, workmen (1) took away all my old shutters and (2) piled new shutters all around my house. This presented Georges with a rare opportunity: Not only could it destroy my house; it

could destroy my house by whacking it to pieces with my new hurricane shutters. So Georges aimed straight for my house. Fortunately, I happen to be a pretty handy "do-it-yourthe workmen to put them up. So they did, and George immediately swerved away. It sincerely apologize to the people it hit, but at that point, I was no longer steering.)

For the remainder of the hurricane, I watched the TV coverage, which consisted mainly of TV reporters in bright yellow rain slickers going into evacuation zones and asking the residents, in highly judgmental tones, why they did not monetary prize. evacuate, Just once, I wanted to hear a resident answer: "Hey, I'm here because I LIVE here. What's YOUR excuse, Hair-

Anyway, I'm glad hurricane season is almost over. And I decided that I'm not going to wait until the "last minute" to get ready for the next season. That's right: I have already bleached my shutters.

All kidding aside, if you want to help the many people who are still suffering because of Georges, you can send a contribution to the Disaster Relief Fund, the American National Red Cross, P.O. Box 37243, Washington, 20013.

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Hollywood Enrages Arab-Americans, Again

By Sharon Waxman
Washington Post Service

OS ANGELES — To under-Americans and Muslims to 20th Century Fox's new movie "The Siege,"

picture the following scenario: A nefarious rabbi exhorts his ex-

refuses to hand him and other offenders over to police. The Federal Bureau of Investigation rounds up

ish and Catholic interest groups. The question is: Would Hollywood portray them in the first place?

'The Siege,' a thriller about Muslim terrorists in New York, feeds into American stereotypes about Arabs and Muslims that have long been reinforced by Holly-

But ironically, "The Siege" has the opposite intention. The film invokes the terrorist image to debunk it. It takes pains to portray a sympathetic, patriotic Arab-American, played by the Lebanese American Tony Shalhoub, and explores what happens to innocent bystanders (an Arab-American is tortured to death) when the military tramples over civil rights in the name of security.

But American Arabs and Muslims are not convinced. "This movie participates fully in the linking of Arab culture and Islamic religious practices and terrorism. That's nothing new," said Hussein Ibish, media director of the American-Arab Anti-Discrimination Committee. "But this movie is different. This movie purports to be a socially responsible, serious intervention, about how American society responds to a threat. Its rampant use of discriminatory ste- Lawrence Wright, expressed frus- "The Siege," despite the film's Muslims) and his exclamation of should we thank them?

reotypes is very dangerous for our

The problem for Ibish and other groups, such as the Council on American Islamic Relations — which will be protesting outside theaters in Chicago, Los Angeles and Washington this weekend when the movie opens there - is tremist, ultra-Orthodox followers the clash between the movie's to plant bombs against Arab sym-pathizers in America. Many people images. "The characters say one are killed and maimed. The police tound up Orthodox Jews and put them in camps.

Or this: A Catholic priest has molested an altar boy. The church in the movie theater the language of the camera angles, "Ibish said. "And in the movie theater the language of the camera angles," its music, the camera angles, "Ibish said. "And in the movie theater the language of the camera angles," its music, the camera angles, "Ibish said. "And in the movie theater the language of the camera angles," its music, the camera angles, "Ibish said." cinema trumps everything else.'

As examples, he pointed to ominous music that accompanies a not entirely implausible — would certainly spark an outery from Jewish and Catholic interest.

The movie criticizes the institutional measures the government takes against innocent people, but it doesn't criticize the misunderstanding of the faith that the movie reinforces," said Nihad Awad, the executive director of the Islamic council who consulted with the movie's director, Ed Zwick, during its production. "It's as if it says, 'These are criminals, these filthy Arabs and Muslims, but still we should not shred the Constitution. We are higher than that.' "

The Anti-Discrimination Committee has written an open letter to Zwick holding him 'responsible for any acts of hate directed against our community as a result of this extremely damaging and danger-

Ibrahim Hooper, spokesman for the Council on American Islamic Relations, emphasized that the Arab-American groups were not urging a boycott. "We're not going to play into the stereotype of Arabs as emotional and reactionary. We issue of stereotyping and bias."

Zwick; the movie's producer, Lynda Obst. and its screenwriter,



Students passing out leaflets to protest "The Siege" outside a preview presentation of the film in Washington.

tration with this reaction, saying noble intentions, shows how very that the advocacy groups missed the vulnerable the Muslim community point. "If their premise is that any feels as a minority caught in the depiction of the life of a Muslim that includes a depiction of violence, no matter how well documented, is offensive, then they cannot but be upset with the film," Zwick said. "I

believe that is their premise." He said that he took the image of the hand-washing before a bombing from a "60 Minutes" report on fundamentalist terrorism. "It's not exactly like I invented that," he said.

Wright, who lived in Egypt for two years and has written about the Middle East, said: "I think they see it with different eyes than I do. In many respects they may be oversensitive and anxious about movies because of their past treatment in Hollywood. But it seems paradoxwant people to go in sensitized to the ical to me that they would center on son of Shalhoub's character does a movie that has their concern so much at its heart.

In some ways the protest over

shadow of real-life Islamic terrorism. The Islamic council and the American-Arab Anti-Discrimination Committee spend most of their time documenting incidents of discrimination and fighting harassment of Arabs and Muslims by airlines

concerns, but not in Hollywood. Awad of the Islamic council said: I don't want to believe that there is a political agenda there, although there is a serious level of ignorance about Islam in Hollywood."

Thish complains that a ceremony in the film featuring the adolescent not exist in Islam, and Awad objected to Shalhoub's drinking of alcohol (forbidden to traditional

"Jesus Christ!" when something remarkable happens. Zwick removed the exclamation, and took Awad's suggestion to delete a tense exchange between Denzel Wash ington's character, the FBI chief, and an Arab taxi driver who refuses to pick him up. But he declined to comply with Awad's request to change the plot of the movie (they were already halfway through the shoot), to make the terrorists turnout to be American militiamen.

One can hardly blame Awad for trying. For years, Arabs and Muslims have served as stock terrorist. week injack dramas to reality-based films like "Not Without My Daughter" to the fantastic caricatures of "Raiders of the Lost Ark."

de Iraq

The Martines

Since the 1970s many terrorism acts were perpetrated by Arab radicals, and in the past decade and a. half terrorism has become a weapon used by fundamentalist Is-lamic extremists. The plot in "The Siege" mirrors the real story of fundamentalists who tried to blow-

up the World Trade Center.

"This is being repeated as though it's not legitimate to portray-religious Islamic groups intent on bombing America," said Obst, the producer. "We read about it in the newspaper.''

To people like Wright, concerned about political correctness, a screenwriter can't be too sen-sitive these days. "I was talking to Arab-American students the other day who were offended by the opening sequence," he says, re-ferring to a scene in which a radical sheik is kidnapped. "There is jump cut to Brooklyn of a guy in a mosque. They felt the message this is putting out is that this mosque is many people see it that way. But involved in that violence, which is not at all the intent. The point of that jump is to say the Arab world is not so far away. That we are becoming a Muslim country, that it's part of our world, too.'

But Awad said: "We have been slapped on both cheeks for so long that if they kiss us on one cheek

PEOPLE

FRANCE'S literary prize season kicked off Friday with the Medicis prize going to a former jockey for his novel about horses. The Fernina prize went to a love story set in 20th-century China. In "Le Loup Mongol" (The Mongolian Wolf), the author Homeric, born Frederic Dion, takes readers on a selfer," so rather than leave the new shutters lying on the ground. I was able, using my natural mechanical ability, to beg about horse racing and equestrian events. The Medicis prize depiction of a revolt on a slave ship was too graphic. tot the veats dest novel i non-French writer, went to Jonathan Coe of Britain for "The House of Sleep." The Femina went to the Chinese-born Francois Cheng for "Le Dit de Tianyia," the tale of a love triangle set against Mao's Cultural Revolution and work camps. The Medicis winners

> The former home of the composer Aaron Copland in Cortlandt, New York, will be filled with music once again. The Copland Heritage Association announced that seven composers have won residencies in the six-room home, an hour's drive from New York. The home was in disrepair after Copland's death in 1990 and his estate planned to sell it, but the town began a campaign to save it as a cultural institution.

> Jamaica's film board has banned the movie "Blade,"

theaters. "It is extremely violent, gory and bloody — the whole film is bad right through," said Reverend Stanford Webley, chairman of the Jamaica Cinematographic Authority. The movie is about a half-human, half-vampire with supernatural powers. It has already been released in the United search for horse thieves in 12th-century Mongolia. Dion is a States. In February, Jamaica's film board banned the opening

Titanic fever swept a London auction house with two luncheon means from the doomed liner selling for £19,550 (\$32,400). A letter about a poignant farewell sold for six times receive 4,500 francs (about \$800) each. The Femina carries no its estimate. An American collector, whose name was not revealed, paid the high price at Christie's for menus offering lunches of scotch broth, chicken and sago pudding, and Denis Cochrane, an avid Titanic collector who runs a maritime memorabilia shop in London, secured the letter for £9,775. The author, a woman named Marie, was writing to her brother after saying farewell to her husband, Tom, who was among 1,523 people who died when the luxury liner went down.

Dennis Franz, one of the stars of "NYPD Blue," suffered a slight injury while filming the police drama. "During a minor stunt scene, his elbow went through a window," his publicist, Cynthia Snyder, said in a statement, "We're happy starring Wesley Snipes, saying it is too graphic for island to report he is just fine."



OPENING - Ian McKellen as James Whale in the film 'Gods and Monsters," about the director who create "Frankenstein" and "The Bride of Frankenstein",



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